



Agricultural Extension Service
The University of Tennessee 



Business Plan

Center for Profitable Agriculture

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The University of Tennessee Agricultural Extension Service Center for Profitable Agriculture

Opportunities for income improvement exist in production agriculture by adding value to agricultural products. Value can be added by processing, packaging and marketing products developed from agricultural, aquacultural and forest resources. To take advantage of this value-added potential, the food and fiber industry must be aware of its opportunities and be informed about economic feasibility, planning and market development. Farm and forest families can also benefit from income opportunities indirectly related to agriculture production, such as agritourism, fee hunting, farm vacations and other recreational activities.

Businesses in rural communities are usually created locally. New businesses create most new jobs in the United States, with the majority being small, independent firms. More than 3.5 million businesses are started in the U.S. each year, involving 5 million people. National data indicate that two-thirds of all businesses with fewer than 20 employees fail within the first four years. Many of these failures are attributed to poor management and lack of information.

Educational programs proposed for the Center for Profitable Agriculture (hereafter may be referred to as CPA) will focus on providing technical support for emerging and existing businesses, helping potential or current entrepreneurs or business managers determine the feasibility of business development or expansion and

assisting these entities in developing expertise in marketing strategies. The success of small businesses is critical to the development of jobs, income enhancement and the viability of rural communities in Tennessee.

Vision:

The CPA will be widely recognized as an important resource that provides valuable educational opportunities and business development services to the food and fiber sector of Tennessee's economy.

Mission:

The mission of the CPA is to increase the value and profitability of Tennessee's food and fiber economy through new, expanded and improved processing and marketing of agricultural, aquacultural and forest products.

The Center's mission will be accomplished by:

- Providing technical and educational assistance to current and potential individual entrepreneurial clients of the Center who are pursuing business start-ups, retention and/or expansion in the food and fiber sector.
- Pursuing initiatives focused on value-added projects that are comprehensive in nature

involving groups of producers, including assistance in the evaluation and implementation of cooperative formation. Educational and promotional programs will be implemented that enhance general awareness and knowledge of value-added concepts and opportunities. The Center will seek to encourage, facilitate and cooperate with partners in efforts to identify new and emerging business opportunities in the food and fiber sector that have improved profit potential for Tennessee farm families and agribusinesses.

- Providing information concerning local, state and federal regulations governing food and wood products processing and products.
- Reviewing economic trends, research and technological developments for application to Tennessee agribusinesses.
- Working with the Tennessee Department of Agriculture and other partners to identify new market opportunities and providing technical information to support the development of markets for value-added agricultural products.

Objectives:

- Performing economic analyses of production processes for agribusiness firms and developing marketing and distribution strategies for existing and new products.
- Providing general educational programs to foster understanding and development of value-added agricultural enterprises and opportunities. Educational programs and teaching tools include publications, outreach teaching, mass media and Web-based resources.
- Performing feasibility studies for new or expanding Tennessee agribusiness firms.
- Assisting with new product development in the areas of product formulation, processing procedures, sensory evaluation, packaging, nutrition specifications, labeling and market potential.
- Conducting analyses to improve product quality, productivity and operating efficiency and developing plans for facilities and processing.
- Performing management audits and educating managers in the planning and control of business operations, including quality control programs, waste disposal, inventory controls and management information systems.

Strategies:

The CPA helps current and potential entrepreneurs with small agribusiness startups. The CPA will strive to assist these small businesses with the goal of long-term sustainability. The CPA seeks to identify opportunities that offer income improvement for farm families.

- Activities of the CPA are market-oriented. The CPA will seek to insure that all clients have a clear understanding of the marketplace and that their commercialization efforts are market-directed and market-driven.
- The CPA is visionary, innovative and creative in its approach and provides technical information, assistance and training to Tennessee entrepreneurs and leaders in the food and fiber sector.
- The CPA makes every effort to keep a client's information confidential and will strive not to reveal business activities without prior approval.
- The CPA programs and assistance have commercialization goals of two years or less.
- The CPA builds on the strengths of Tennessee and its agricultural production, processing, markets and institutions. The CPA works to anticipate future opportunities, identify and promote programs, products and technologies that will be sustainable.

- The CPA coordinates activities with other agencies and will provide a link between private industry, state agencies and colleges and universities.
- The CPA maintains current information about state and federal resources such as grants, low-interest loans and other assistance that is available for value-added business start-ups. The CPA will assist clients in evaluating grant opportunities and will develop methods to inform the general public about available resources.
- The CPA is committed to seeking and obtaining external funds that will assist in the perpetual pursuit of the Center's mission.

Administrative:

The CPA is administratively located within The University of Tennessee, Institute of Agriculture, Agricultural Extension Service. Programs are conducted through a network of county Agricultural Extension Service offices, area specialists and state faculty working with the CPA. All UT contributors to Center projects have access to the total resources of The University of Tennessee, as well as the opportunity to network with regional and statewide organizations and government and non-government agencies.

In addition, the CPA has developed agreements with the Tennessee Farm Bureau Federation and the Tennessee Department of Agriculture. These agreements are considered active parts of this business plan.

An **Executive Council** will provide leadership and direction for the Center's long-term vision and mission and assists in identifying the Center's goals and objectives. The Executive Council may also be referred to as the Board of Directors in the Memorandum of Agreement (MOA) with the Tennessee Farm Bureau Federation. The Executive Council consists of three representatives from The University of Tennessee Institute of Agriculture, three representatives from the Tennessee

see Farm Bureau Federation and the Tennessee Commissioner of Agriculture.

A **Faculty Coordinating Team** (also referred to as an Advisory Council in the MOA with Tennessee Farm Bureau Federation) will be assembled. The team will be made up of Extension specialists (and their department heads) who are identified as having routine subject matter interaction with projects in the Center. Example subject matter areas represented on the Faculty Coordinating Team include aquaculture, forest products, food science, meat science and direct marketing. The responsibilities of the Faculty Coordinating Team are to improve communications; provide advice, counsel and support; assist with marketing of the programs of the Center; and enhance coordination of programs and staff. The Faculty Coordinating Team does not possess supervisory or administrative oversight of the Center.

A **Value-Added Council** will be assembled by the Center. The council will serve as an advisory Board of Directors for the Center's value-added programs. The Council will be composed of representatives from the state's major general farm organizations and agricultural commodity groups, the Tennessee Department of Agriculture, The University of Tennessee Institute of Agriculture, Tennessee State University School of Agriculture and other key industry leaders.

Personnel

The CPA operates with a relatively small full-time staff and relies heavily on shared faculty from several disciplines. The CPA Director (hereafter referred to as the director) provides overall coordination and leadership for the Center. The director serves in a similar capacity as department heads within the Agricultural Extension Service. The director is administratively responsible to the office of the dean, Agricultural Extension Service. Full-time personnel in the Center are administratively responsible to the director for supervision, evaluation, promotion and other personnel matters. Full-time faculty appointments in the CPA are normally 12-month, non-tenure-track, professional positions.

University specialist support for Center projects is determined by agreement with faculty in the Institute of Agriculture. Resources provided by the Tennessee Farm Bureau Federation to support Center projects as stipulated in the Memorandum of Agreement will be activated in consultation with appropriate administrative staff of the Farm Bureau. Requests for assistance, such as reviews of proposed projects, participation in educational programs, and leading or lending support to the completion of projects, will be directed to individual specialists with copies to department heads and supervisors. These requests will indicate the nature and scope of the assistance required along with general time lines for completion.

Feedback concerning assistance provided by specialists will be provided upon project completion or at year-end. This feedback will be submitted by the director and communicated to department heads and supervisors. This information will then be incorporated in the performance reviews of specialists by department heads and supervisors.

Ordinary costs of specialist support of Center projects will be the responsibility of the specialists through their annual operating budget allocations. Requests that entail significant or extraordinary expenses will be supported in coordination with the Center.

Specific responsibilities for the director are outlined in his/her job description. Responsibilities of the director will focus on coordination of the multidisciplinary teams of subject matter specialists and liaison within the Institute of Agriculture, The University of Tennessee, and other agencies and organizations. The director is expected to develop and maintain especially close working relationships with the Tennessee Department of Agriculture, Small Business Development Centers and the UT Institute of Public Service.

Budgetary and reporting responsibilities for the director are similar to those for department heads.

The performance evaluation of the director is the responsibility of the assistant dean responsible for agriculture, natural resources and resource development programs.

Coordination of Projects, Personnel and Facilities

A major responsibility of the director is overseeing the evaluation, selection and implementation of center projects, including assignment of center faculty (both full-time and shared faculty) to those projects. This responsibility includes establishing a consistent project evaluation, selection and operating procedure. In addition, the director is responsible for working with the leaders/heads of other Institute of Agriculture units and departments in the acquisition of time and services of non-center faculty as their expertise is needed for successful completion of a project.

The administration of the Agricultural Experiment Station has stated its strong support for the CPA and a willingness to consider sponsoring research projects that may be required to answer specific problems. The director will assume responsibility for the contact and coordination with the Experiment Station dean's office.

In some cases, conducting projects and working with Center clientele will involve use of Experiment Station/department facilities. An example is utilization of the Department of Food Science and Technology's food-processing pilot plant facilities. The director is responsible for communicating these project needs to the department head of the respective unit. It is anticipated that much of the collaboration/ coordination will occur through the center faculty assigned to the department where facilities are requested. For both facilities and non-Extension departmental personnel, any charges to the CPA would be negotiated based on the extent of use (time, supplies, etc.). The director will work with the respective department head on a project basis as necessary.

The department heads who are sharing permanently-assigned faculty or staff with the Center will serve on the Faculty Coordinating Team.

Requests for Center assistance should be directed to the director or any faculty or staff member in the center. Information about the center is available at local Agricultural Extension Service offices, from cooperating agencies and the Center's Website at <http://cpa.utk.edu>

Operations:

Project Selection

CPA personnel, assigned by the director, will evaluate project proposals based on primary and secondary criteria. These criteria have been developed to insure that projects selected by the CPA will benefit the Tennessee agricultural and forestry community and the Tennessee economy.

There are four primary criteria. Each primary criterion must be met for a project to be accepted by the CPA.

Primary Criteria

- Projects must propose to add value to agriculture, aquaculture or forestry commodities. This will generally be accomplished by assisting the start-up of new enterprises, expansion of existing firms, assisting with the development of new products or improving processing technologies in existing facilities. Proposals that do not include a definable value-added component will not normally be considered, although there may be exceptions.
- Generally, clientele at the CPA must be headquartered in Tennessee. However, projects with offices located out of the state but primary business activity and production located in-state will be considered for acceptance by the CPA.
- Proposals will be accepted only if the project's scope is within the capabilities and resources of the CPA.

- Projects that meet the four primary criteria will be further evaluated by six secondary criteria. These criteria will be used to help determine project priority and assist with decisions to allocate resources.

Secondary Criteria

- The proposal must contain an adequate amount of information about the project to adequately evaluate the proposal. Proposals submitted without adequate information will be returned to the submitter with instructions from the CPA regarding further information required.

Based on preliminary analysis, the project must be judged to be technically feasible.

- Clients should be able to secure adequate financial and technical resources to carry the project to the production and distribution phases of operation.
- The project should use Tennessee resources wherever possible in the production and distribution phases.
- The project will be evaluated relative to its unique place in the market. Concepts that develop a new or relatively unknown product or seek to develop a new market for an established product will be given a higher priority than projects that seek to produce an established product and distribute it in an established market.
- Projects that use relatively smaller amounts of center resources will be preferred over projects that consume a relatively large amount of center resources. Each project will be evaluated individually with regard to its potential impact on the Tennessee economy.

These criteria will be used by the CPA director to allocate the center's resources. Proposals will be evaluated on a timely basis and the client will be notified of the acceptance or rejection of the proposal by the center director. Evaluation of

proposals lacking sufficient information will be placed on hold until that information is provided.

Project Acceptance

Projects accepted will be assigned to a team of specialist staff who can contribute to the project. One member of the project team will be named project coordinator. The project coordinator will help develop the project and will work with the client to secure additional information if needed. Input from county and area Extension faculty may be sought. The project coordinator will also make regular progress reports to the director and to the client.

Procedure for Accepted Projects

The CPA has identified the following steps as general guidelines for project implementation. These steps are necessary to take a product from the concept phase to the distribution phase. Projects found to have flaws that cannot be corrected will be terminated. These steps will be generally followed, but do not represent a rigid, step-by-step approach to all projects.

Product Development

Small amounts of the product must be manufactured to conduct a complete marketing study. The client may enlist the help of CPA faculty to produce these quantities or may provide the quantities to be used in the market study. In the case of a food product, CPA food scientists must establish that the product is safe.

Market Study

Market testing procedures will vary from product to product. The market study should determine whether a market exists for the product and should describe the product's market potential. The study is not a marketing and distribution

plan for the product. If no market exists, if existing markets are saturated or if any other situation is encountered that results in the project being unable to evolve into a profitable enterprise, the project is terminated. If a market does exist and there is a reasonable potential for success, the project is moved to the next step.

Feasibility Study

This step has two parts — technical feasibility and economic analysis. A technical feasibility study must be performed to determine if the project can be commercially produced. This will determine the equipment and plant size necessary to carry the project to the independent production phase.

An economic analysis will be completed once the project is judged to be technically feasible. This study will not only determine the feasibility and potential profitability of the project, but will also analyze the client's financial position to determine if the client has or can obtain the necessary capital to begin and sustain a successful enterprise.

If either analysis reveals insurmountable problems, the project is terminated. If the analyses reveal a reasonable potential for success, then the project is moved to the next step.

Business Plan Development

One of the services of the CPA that is likely to be in high demand is business plan development with clientele. CPA staff will work with the client to develop a comprehensive business plan to guide the initial direction of the project, offer input in seeking financing and serve as a benchmark to measure the progress and success of the project.

Plan Implementation

After the business plan has been developed, the client is responsible for carrying the project to the commercial stage. CPA staff will continue to work with the client to assist with identifying potential financing, designing equipment and production facilities, evaluating equipment, financing alternatives and business site selection.

Project Evaluation

Projects will be evaluated based on the number of employees, annual payroll, amount and value of product produced, gross sales and net income. The client will also be asked to evaluate the center in terms of programs provided.

Confidentiality of Proprietary Information

CPA staff will respect the confidentiality of all projects and the privacy of clientele in so far as state law permits. However, knowledge gained

from studies (especially marketing, technical and economic analyses) may be used on multiple projects and in some cases may be appropriate for publication.

County Extension agents will be informed regarding the confidentiality of projects being addressed by the CPA. The appropriate county Extension agent in the county where the project originates will, at the very least, be notified that CPA faculty and staff will be working with residents of that county. The appropriate county Extension agent will receive communication about the project and its potential impact in the county without revealing confidential information. The director and/or project coordinator will serve as the main contact with county Extension leaders.

Following the completion of a project by the CPA and business initiation, county Extension leaders are expected to coordinate the Agricultural Extension Service's involvement with local announcements, publicity or other marketing opportunities. For those projects that involve the production of a commodity, local Extension staff follow-up will be critical to success.

Visit the Agricultural Extension Web Site at: <http://www.utextension.utk.edu/>

The Agricultural Extension Service offers its programs to all eligible persons regardless of race, color, national origin, age, sex,

disability, religion or veteran status and is an Equal Opportunity Employer.

COOPERATIVE EXTENSION WORK IN AGRICULTURE AND HOME ECONOMICS.

The University of Tennessee Institute of Agriculture, U.S. Department of Agriculture, and county governments cooperating in furtherance of Acts of May 8 and June 30, 1914.

Agricultural Extension Service, Charles L. Norman, Dean