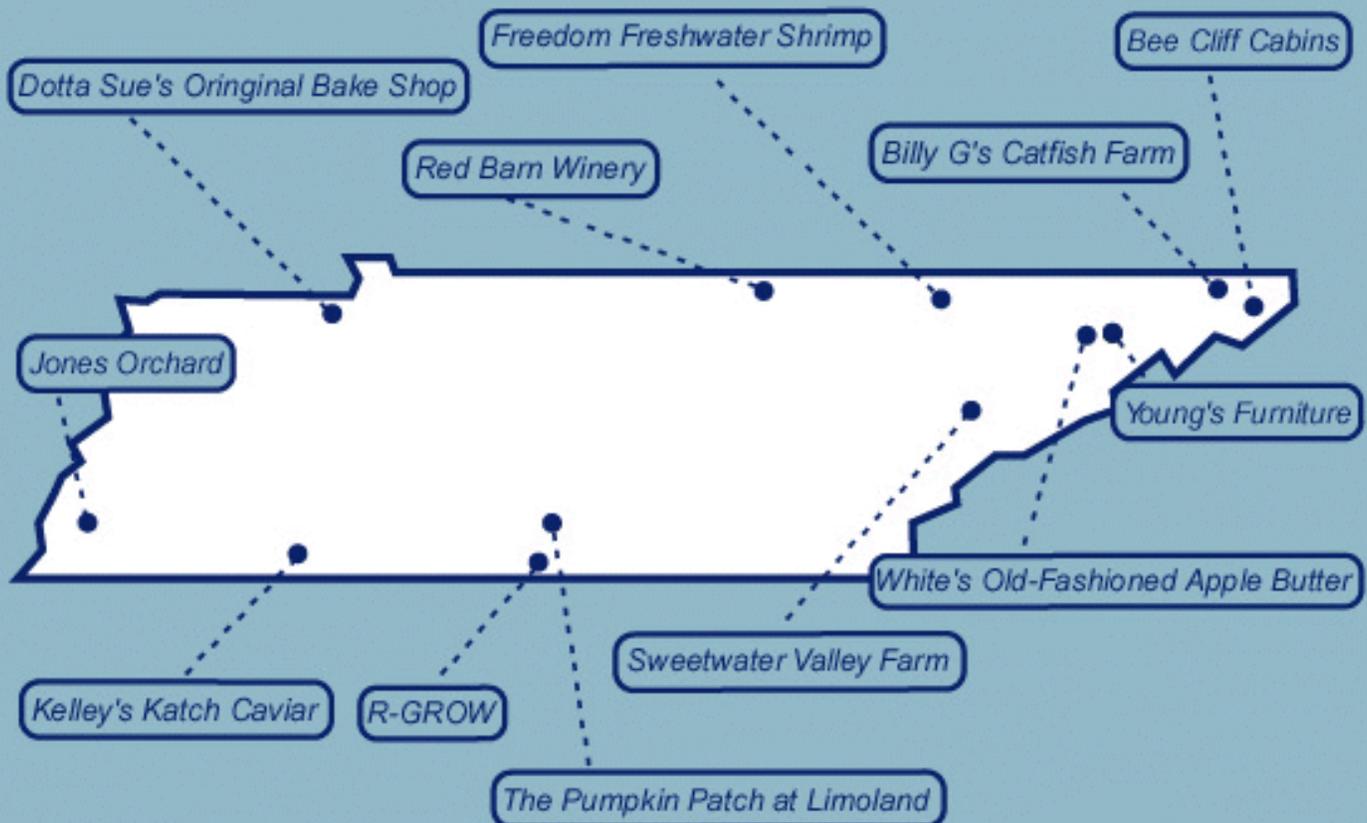


Documenting Successes of Value-Added Agriculture Enterprises: A Series of Case Studies



Foreword

Sharing the experiences of other entrepreneurs continues to serve as a primary tool for enhancing and developing the entrepreneurial skills of those interested in value-added enterprises in Tennessee. The *Agricultural Development Center* is pleased to have provided leadership in the development of the 12 case studies presented in this publication. However, the project would not have been possible without the input, commitment and support of many individuals, representing many different organizations.

Funding and support for Tennessee's role in a multi-state case-study project was provided by joint contributions from the *Agricultural Development Center* and The Tennessee Department of Agriculture "Ag Development Fund." Contributions in other states were provided by the University of Kentucky Agricultural Economics Department and the Delta Enterprise Network in Arkansas.

Sincere appreciation is extended to the more than 40 contributors who participated in the many phases of project development, namely Joe Gaines, Keith Harrison and Stanley Trout with the Tennessee Department of Agriculture; Deborah Scarlett and Buddy Sanders who conducted interviews and served as case-study coauthors; Tina Johnson who provided a comprehensive edit and review of the manuscript; Tim Woods and Tommy Cates who served as co-project coordinators; the 12 entrepreneurs who sat down to share the story of their business with us; the county Extension agents in the counties of the case businesses; and the numerous individuals who served on the peer review committee.

Additional information regarding this project may be obtained by contacting the *Agricultural Development Center* at 865-974-3824 or www.utextension.utk.edu/adc/

Rob Holland
Project Coordinator & Principal Investigator
Agricultural Development Center

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

Rob Holland
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Agricultural Development Center

Contents

Foreword	2
Project Description	4
Contributors	5
The Proposal	6
Disclaimer	7
Format of the Studies	7
Presentation of the Case Studies	8
Jones Orchard	9
Kelley's Katch Caviar	18
R-GROW	27
Dotta Sue's Original Bake Shop	37
The Pumpkin Patch at Limoland	47
Red Barn Winery	56
Freedom Freshwater Shrimp Company	66
Sweetwater Valley Farm - Tennessee Cheddar	76
White's Old-Fashioned Apple Butter	86
Billy G's Catfish Farm	96
Young's Furniture	105
Bee Cliff Cabins	115
Additional Resources	125

Project Description

The project that this publication represents was originally proposed to the Tennessee Department of Agriculture for a state "Ag Tag" grant under the title "Documenting Value-Added Successes in Tennessee and the Delta Region: Tri-State Case Studies." The proposal sought funds to assist the *Agricultural Development Center* in conducting interviews with value-added agri-businesses in Tennessee, and developing case-study reports to summarize the interviews. The Tennessee project was matched by comparable case-study efforts in Arkansas and Kentucky. Taking a slightly different approach, the Arkansas efforts focused on case studies with facilitators of value-added efforts and have been reported under a separate title. Similarly, the Kentucky efforts were heavily focused on profiling horticulture and new crop enterprises, and have been published as individual fact sheets.

In Tennessee, written case studies (the documented success, failure and advice) of other value-added farmers and entrepreneurs have proven valuable educational tools for potential value-added agricultural entrepreneurs. Therefore, the Tennessee approach included the written documentation of the business activities from 12 value-added agri-businesses, reported here.

The actual structure of the interview process with the entrepreneurs was based on a model provided by Dr. Tim Woods, Agricultural Economics, University of Kentucky, which allowed for documentation of:

- ▶ Business Background
- ▶ Business Idea Discovery Process
- ▶ Market Discovery Process
- ▶ Capitalization Process
- ▶ Regulatory Process
- ▶ Business Growth Process

The case-study interviews and written reports were developed to provide full disclosure of the names, businesses, locations and products of the entrepreneurs interviewed. The written case studies provide a brief synopsis of the entrepreneur's experiences. While no secrets are intended to be disclosed and no personal or confidential information obtained, the written findings are intended to

serve more as feature articles than research reports. The case studies are intended to serve as user-friendly educational tools for the enhancement of value-added agricultural and entrepreneurial skills for Tennessee farmers and agri-entrepreneurs.

Contributors

The accomplishment of this project and the case-study reports in this document represent a combination of many resources and contributions. We are extremely grateful to the farm families and agribusinesses who were interviewed for the case studies. They provided their time, information and insight so that others may learn from their successes, and the obstacles they have encountered. We appreciate the cooperation of the county Extension agents in the counties in which the case-study subjects reside.

Appreciation is also extended for the many efforts that contributed to the development of case-study projects, comparable to the Tennessee approach, in Kentucky and Arkansas, under the leadership of Dr. Tim Woods and Dr. Jim Worstell in the respective states. A special appreciation is extended to the many cooperators who served as reviewers of the case-study drafts, and those who contributed to the design and layout of this publication. All the contributors who assisted in appropriately administering the funds associated with this project also deserve special thanks. Finally, appreciation is extended to all of the coauthors of the case-study reports.

Each of the individuals who contributed to and assisted in the achievement of this project's success are listed below:

John & Norine Allen
Manny Bedwell
Tommy Cates
Dan Cook
Laura Curd
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Judy & Glen Clements
Tim Cross
Richard Daniel
Mike Dennison

Glenda Dodson
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John Goddard
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Keith Hart
Heath Hoagland
Tina Johnson
Vickie & Mike Kelley
Stephanie Maples
Wanda & Jimmy McClure
Bob Moncier
Sandra Morton
Ed & Teresa Rollins
Buddy Sanders
Deborah Scarlett
Stanley Trout
Steve White
Tim Woods
Bill & Greg Young

Doug Elder
Billy Galbraith
Carol Gordon
Keith Harrison
Tom Hill
Ray Humberd
Juanita Jones
Phil Kenkel
Marcus McLemore
Curtis Melton
Bill Morris
Mike Page
Kevin Rose
Hugh Savoy
George Smith
Steve Walker
Michele Wilson
Jim Worstell

The Proposal

In March of 2000, a proposal was submitted to the Tennessee Department of Agriculture by The University of Tennessee Agricultural Extension Service *Agricultural Development Center* for consideration as a grant from the Agricultural Development Fund. The nature of the proposal centered around conducting interviews with value-added entrepreneurs in Tennessee, and developing case-study reports to summarize the interviews. The Tennessee project was coordinated with similar projects in Kentucky and Arkansas. The written case studies in Tennessee were proposed for use as primary teaching tools by The University of Tennessee Agricultural Extension Service, especially through the *Agricultural Development Center*. The case studies were also described for use as training tools with county Extension agents and for distribution across the state. The distribution and use of the finished case-study reports were proposed to

encompass the entire state and be posted to the Web site of the *Agricultural Development Center*.

The proposal noted that case-study reports are often confidential and do not disclose the business or entrepreneur names. While the notion of case study reports providing sometimes sensitive business information with confidentiality to the case business is a valid one, the proposal for this project called for the case studies to not obtain and report any proprietary, confidential and sensitive information. Rather, the case-study reports were to accent the realness of the businesses so readers will be able to identify and relate to the case study by name, product and, in some cases, photograph. The proposal described how the project would directly enhance the educational efforts of the *Agricultural Development Center* by developing specific and unique educational materials for us in one-on-one and group trainings of county Extension agents and existing/potential agri-entrepreneurs.

Disclaimer

The case-study reports provided in this publication are based on interviews conducted with the entrepreneurs. The information about the businesses is intended to provide documentation of the activities, processes, hurdles and successes of the case, as told by the entrepreneurs. The information is not intended to serve as a blueprint for developing other businesses or enterprises, regardless of how similar or different. The information does not provide or imply any recommendation for business development, operation, procedures, processes or product. The activities and performance of the cases presented here do not constitute a recommendation, suggestion or implication for procedures for other entrepreneurs or other businesses. These cases are merely intended to provide information about the development and growth of "real" enterprises developed by "real" Tennessean entrepreneurs.

Format of the Studies

As previously mentioned, the structure of the interview process with the entrepreneurs was based on a model provided by Dr. Tim Woods, Department of Agricultural Economics, University of Kentucky. Similarly, the presentation of the case-study reports follow the same outline and provide each entrepreneur's story in a consistent format. Each case is presented with a brief background of the business; insight to the interview process; followed by information about the business-idea discovery process, market discovery process, capitalization process, regulatory process and the business growth process. Each case study also presents a one-page bulleted summary for each of the main topics. The one-page summaries have all been developed into separate electronic presentation programs and, as presented in this publication, can be used to develop overhead transparencies for group trainings. Photographs and graphics from each business are included in the final section of the publication titled "Additional Resources."

Presentation of the Case Studies

All 12 of the Tennessee case-study reports are presented in the following pages. Each report is presented in about three pages, followed by a large-font, bulleted summary presented in the five primary areas. The summary pages are intended to be used in instructional and training sessions. Graphics for the case studies are presented without discussion or text at the conclusion of this publication and may also be used in instructional and training sessions.

JONES ORCHARD & FINE FRUIT PRODUCTS¹

A personal interview was conducted with Mrs. Juanita Jones on March 13, 2000. The interview was conducted by Rob Holland and Buddy Sanders², who also served as coauthors of the case-study report. Jones Orchard was started in 1940 by Juanita's father-in-law, Mr. H.L. "Peaches" Jones, about 10 miles north of Memphis, in Shelby County. Juanita's husband, Lee Wood, has managed the farm operation since his father's death. Juanita is a retired Shelby County court reporter and now works primarily with the value-added fruit product enterprises.

Business Idea Discovery Process

"I enjoyed making products from our fresh fruit, and if we were going to sell any of them (legally), we had to have an inspected commercial kitchen. We needed more cooler space anyway, so we just built a modern facility from scratch."

In the early 1990s, Juanita found a recipe for peach preserves that did not include pectin. Because of her strong interest in jams and jellies, she decided to try the recipe using fresh peaches from the orchard. She then took the pectin-free preserves to farm-market stands and discovered they were selling quite well. Thinking that their children would some day return to the farm, they decided to build a modern facility for preparation of fruit products for commercial sales. The facility included a certified commercial kitchen, walk-in cooler, environmental-control storage area and large retail shed with pull-down overhead doors. The retail market was designed to display fresh fruit, local vegetables and a variety of fruit products made in the kitchen (jams, jellies, preserves, cakes, cookies, breads, salsa and chow-chow relish).

Market Discovery Process

"The Agricultural Development Center has been very helpful in operational endeavors and educating me. Sales are still not high enough to please me, so we continue to make changes."

Initially, very little market research was done. The Jones' visited some similar operations and

¹ Jones Orchard is owned and operated by Lee Wood and Juanita Jones. The family orchard began in 1940 by Lee Wood's father, H.L. "Peaches" Jones. The farm is located in Millington, Tennessee, about 15 miles north of Memphis, in Shelby County. Inquiries about orchard products may be made to: Jones Orchard, 5762 Pleasant Ridge Road, Millington, TN 38053; phone: 901-872-0383; toll free: (877) 872-0828; fax: 901-872-1357; e-mail: jelly@jonesorchard.com; Web site: www.jonesorchard.com.

² Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*, and Buddy Sanders is a former Area Marketing Specialist with Extension's Smoky Mountain District.

attended educational programs by the agricultural Extension service and the Tennessee Fruit and Vegetable Growers Association. Existing customers that frequented the pick-your-own and roadside stands were the targeted customers for the value-added products. The Jones' maintain four separate farm markets, and value-added products from the commercial kitchen were placed at each of them. Most products moved very well through the on-farm stands; however, the costs of the inspected kitchen required more sales than occurred from just setting out the value-added products. So, in recent years, a very aggressive marketing campaign has been in the works. Working very closely with specialists from the county Extension office and the *UT Agricultural Development Center*, Juanita has developed the following:

- ▶ a brochure
- ▶ direct mail communications and other sales literature
- ▶ a logo has been developed and used extensively on printed materials
- ▶ shipping boxes have been acquired with the orchard logo printed on them
- ▶ gift packages (containing jams, jellies and relishes) can be prepared and shipped
- ▶ a toll-free telephone number is now available
- ▶ orders can be taken via fax
- ▶ a contact list of specialty food stores
- ▶ a Web site for Jones Orchard has been established, although Mrs. Jones was disappointed that no sales were generated through the Web site within the first three months of its availability.
- ▶ glass containers (jars) have been changed to better portray the up-scale, exclusive and high-quality products. Labels are printed on a high-quality printer at their home.

The sale of value-added products is not up to the desired level, so marketing strategies are ever-changing. One of the biggest obstacles has been trying to locate reasonably priced sources for jars, labels, lids and other materials. Among the most successful marketing tactics at Jones Orchard is their diverse product line. In order to spread the cost of the fixed facilities over as many unit sales as possible, the Jones' extended their product line to over 20 different varieties of jams, jellies and preserve products, several relishes, salsa and lots of fresh baked goods including cookies, cakes, pies and breads.

Capitalization Process

“We really went out on a limb to borrow money to start this kitchen. It has been pretty stressful but we have seen a moderate growth in sales over the years.”

A substantial investment was required to finance the four farm markets, an inspected commercial kitchen and a large cooler for fresh fruit. A loan for the facility was obtained from the family's longtime local farm lender. Obtaining the loan required very little information about the value-added enterprise, and was arranged similar to a farm loan. Construction of the facility and acquisition of the commercial kitchen equipment approached \$100,000; however, Juanita notes that “the cost of building the facility is small compared to the cost of operating it.”

Regulatory Process

“Food processing has lots of regulations to fret with, but most of our regulatory headaches were prevented when we built the commercial kitchen. It was built right and has made our work with regulators pretty easy.”

All of the value-added products made at Jones Orchard must be made under Good Manufacturing Practices (GMPs) in the inspected kitchen facility. Some products must be made under the direction of someone who has been trained in a Better Processing School and/or in low acid or acidified food processing; Mrs. Jones has successfully completed both trainings and the kitchen meets all GMPs. The kitchen is inspected periodically and has consistently received a high score.

Business Growth Process

“We produce products from the fruit that is available. Our biggest strength is the high-quality fruit we have to work with and because our products are made in small batches as they would be made in a home kitchen . . . but our costs are still pretty high. Our success will no doubt depend on our ability to get our costs down so our prices can get more competitive.”

Short-term plans include pursuing mail-order and gift-package sales, evaluation of Internet sales potential and working to get more publicity through brochures. Production of sugar-free products will also be evaluated in the short term. Use of printed promotion materials will continue and serious consideration will be given to targeting specialty/gourmet food stores.

Jones Orchard

Business Background

- Juanita & Lee Wood Jones
- Shelby County, Tennessee
- Full-time family farm (peach, apple, pear & nectarine orchard, soybeans and value-added fruit products)
- High-quality fresh fruit
- Four farm market stands with pick-your-own fruit
- 60-year-old family orchard, commercial kitchen for 8 years

Jones Orchard

Business Idea Discovery Process

- Tried a new pectin-free peach preserves recipe and noticed that it sold well
- Built inspected commercial kitchen facility and quickly expanded the product line
- Sales were good initially and have grown moderately over the years . . . but sales required to break-even are very high
- Products were initially targeted at existing customers and pick-your-own markets

“I enjoyed making products from our fresh fruit, and if we were going to sell any of them (legally) we had to have an inspected commercial kitchen. We needed more cooler space anyway, so we just built a modern facility from scratch.”

Jones

Orchard

Market Discovery Process

- Did very little initial market research
- Diversified product line early on
- Have a brochure, toll-free number, fax, Web site, logo, printed materials, shipping boxes, mail order and gift baskets
- High-quality fresh fruit and a diverse product line have been essential marketing tactics

“The Agricultural Development Center has been very helpful in operational endeavors and educating me. Sales are still not high enough to please me, so we continue to make changes.”

Jones

Orchard

Capitalization Process

- Substantial capital investment
- Construction of an approved kitchen facility is necessary for commercial food sales
- Without high-volume output, operating costs (labor, electricity, jars, labels, marketing) are quite high

“We really went out on a limb to borrow money to start this kitchen. It has been pretty stressful but we have seen a moderate growth in sales over the years.”

Jones Orchard

Regulatory Process

- A significant number of food processing regulations must be considered
- A well-designed kitchen facility makes regulations easier to meet
- The operator is approved for processing low-acid and acidified foods
- Food-product liability insurance is an absolute necessity

“Food processing has lots of regulations to fret with, but most of our regulatory headaches were prevented when we built the commercial kitchen. It was built right and has made our work with regulators pretty easy.”

Jones Orchard

Business Growth Process

- Will pursue mail-order and gift package-sales
- Evaluation of Internet sales potential
- Need more publicity from brochures
- Consider sugar-free products
- Consider targeting specialty/gourmet food stores

“We produce products from the fruit that is available. Our biggest strength is the high-quality fruit we have to work with and because our products are made in small batches as they would be made in a home kitchen . . . but our costs are still pretty high. Our success will no doubt depend on our ability to get our costs down so our prices can get more competitive.”

KELLEY'S KATCH CAVIAR³

A personal interview was conducted at the home of Mike and Vickie Kelley in Savannah, Tennessee, by *Agricultural Development Center* subcontractor Deborah Scarlett on January 16, 2001. Mike and Vickie were very helpful and communicative about their caviar business and actually worked through the caviar process, minus the secret recipe, during the on-site interview. The case-study report was coauthored by Deborah Scarlett and Rob Holland⁴.

Business Idea Process

“The idea of selling caviar has always been in my mind, even twenty-five years ago when my stepfather and I were commercial fishing. He’d catch fish and we would dispose of the caviar or sell it to someone else. I always knew there was a market for it . . . and I always had an interest in marketing it by itself.”

- - Vickie Kelley

Both Vickie and Mike have been active in commercial fishing most all of their lives, which is how they actually met. Vickie grew up catching paddlefish with her stepfather and Mike has been involved in commercial fishing and wholesaling caviar to other caviar companies. Mike knew of Vickie’s desires to independently market caviar someday; Vickie claims this is the reason Mike married her.

Mike and Vickie’s aquaculture business officially started in 1972; however, they have only had the processing plant, which is conveniently located behind their house, for about six years. They started their own product label (Kelley’s Katch Caviar) in 1988. Now, Mike wholesales the fish and Vickie processes the caviar.

Vickie has been involved in enterprises other than the fish industry. She went to cosmetology school in Chattanooga, then started a cosmetology school in Savannah, Tennessee. That experience gave her some business and record-keeping skills, but because she and Mike grew up in the commercial fishing business, they already had great contacts. Because they both had invested a great deal of their time in caviar research over the years, it made it easy to contact markets in New York and Chicago to determine what caviar was going for and then set up their own business. The only obstacle they faced in the beginning was knowing how, or even if, they

³ Kelley’s Katch Caviar is a family-owned business that concentrates on processing Tennessee-River paddlefish and marketing a well-packaged, up-scale caviar. The processing facility is located behind the family home, about 4 miles south of Savannah, Tennessee, and 8 miles north of the Tennessee River. Additional information about the business may be obtained by contacting the family at (901) 925-7360.

⁴ Deborah Scarlet is a freelance writer working under independent contract with the *Agricultural Development Center*, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

should cut out the middleman and finding out what part of the business they really wanted to tap. Mike and Vickie have found it very advantageous to maintain contacts in each of the marketing sectors. That is, they have not cut out their wholesale buyers.

Market Discovery Process

“You have to decide which part of the pie you want . . . either fisherman, processor or distributor. We have not sliced the pie, we do some of all three pieces.”

Vickie says you can slice the (aquaculture) pie three ways: you can be the fisherman who catches the fish and sells it to the processors or food markets, or you can be the processor who buys from the fisherman and handles the storing and processing of fish either for retail or direct food markets, or you can distribute fish. Mike and Vickie have found success in maintaining contacts and relations with all three areas. They continue to fish commercially, buy some fish, process the caviar and store the fish for wholesale buyers who distribute. They also distribute caviar directly to their buyers and consumers. So, they have cut out some of the middlemen, but Mike says it is not wise to cut everybody out because you need them when you are in a bind. The fish market has a limited inventory in that you can only fish at certain times and fish only have eggs at certain times, so you have a limited period to produce your product.

Mike and Vickie sell up to 400 pounds of caviar a week, primarily to buyers on the east and west coasts. They developed a logo for their products in 1988, and became charter members of the Tennessee Speciality Foods Association in the late 1990s. In addition to these marketing accomplishments, Kelley’s Katch Caviar has assistance in international venues through the Tennessee Department of Agriculture’s export marketing programs. However, most of their marketing and advertising efforts are invested in the Fancy Food Shows they attend across the country, using primarily word-of-mouth publicity. They regularly attend gourmet and up-scale food shows and target other businesses that also attend the shows.

Sales of their caviar to individual consumers increased substantially after they introduced tin containers. The four- and eight-ounce containers allow smaller purchases of caviar for those individuals who are not interested in the large, 8-pound containers. Purchasers of Kelley’s Katch Caviar stretch from coast to coast across the United States, with some sales abroad.

Capitalization Process

“Our personal-loan banker is a real nice guy and has been very interested in our caviar business too. However, he has been most interested in how the business is going to make money and pay the loan off.”

Vickie and Mike used personal funds to start their business and later, when they wanted to add on to the processing plant, they obtained a line-of-credit from their home-mortgage lender. The

processing facility was built at the back of Mike and Vickie's residential lot, with a total area of 1,296 square feet. After about five years of operating the processing facility, the business had paid-off the start-up debt and began to operate in the black, so to speak. Vickie does all of the bookkeeping for the business using Quickbooks.

Regulations Process

"The only new regulations so far that have directly affected us is that we have to write down and keep an accurate record on how much salt goes into the caviar."

The Food and Drug Administration (FDA), State Health Department, and the Tennessee Wildlife Resources Agency (TWRA) are the agencies that provide regulatory oversight for the business. Mike and Vickie have had good relations with all of their regulators and claim that they are easy to work with, as long as you keep up with all the new regulations; most of the new regulations deal with food and cleanliness issues. Mike said that he didn't want to build the facility twice so they called the health department officials prior to construction to get specific direction on what to do. Mike and Vickie do have an attorney for help with legal matters and think it is wise for people in the food business to retain a lawyer.

The season for fishing is November 1 through April 23, which TWRA strictly enforces. Even though the State Health Department has requested that Kelley's Katch Caviar to keep records on how much salt is put into the caviar, Vickie has let them know that the recipe will remain a secret.

Business Growth Plan Process

"Right now our sales are wonderful, but we have a limited inventory because our product is limited due to the harvest season and in shelf life."

So far, the labor requirements and hired-labor issues have been manageable. The total amount of time it takes to process caviar after the eggs are removed from the fish is only about 15 to 20 minutes. "You just wash, salt and drain." Mike and Vickie have two other employees besides themselves and they hope to keep it that way.

They would like to expand into more retail and individual sales, and develop variations in the size of shipping tins for their caviar. The Tennessee River and quantity of fish harvested currently dictate how large the Kelly's business can get (in terms of sales). Mike and Vickie feel that there is actually more room for expansion on the commercial fishing side rather than in the caviar business. Mike wholesales frozen fish across the country, but could probably use more freezer storage space in order to develop a larger wholesale area. They currently contract cold storage on a monthly basis.

Kelley's Katch

Caviar

BUSINESS BACKGROUND

- Vickie and Mike Kelley
- Hardin County, Tennessee (Savannah)
- Caviar and wholesale fish
- Two non-family employees
- More than 25 years combined experience in the commercial fish industry

Kelley's Katch Caviar

BUSINESS IDEA DISCOVERY

- Interested in retail and individual distribution of caviar
- Interest in promotion of specialty fish products
- Already established as a commercial fisherman and wholesaler
- Close proximity to the Tennessee River
- Extensive knowledge of industry markets

“The idea of selling caviar has always been in my mind, even twenty-five years ago when my stepfather and I were commercial fishing. He'd catch fish and we would dispose of the caviar or sell it to someone else. I always knew there was a market for it . . . and I always had an interest in marketing it by itself.”

Kelley's Katch

Caviar

MARKET DISCOVERY PROCESS

- An established, wholesale fish market existed and an established caviar market was available through the wholesale fish market
- Invention of smaller tins to ship for individual sale
- Charter members of *Tennessee Specialty Foods Association* - - 1999
- Addition of processing plant and logo designed and established

“You have to decide which part of the pie you want . . . either fisherman, processor or distributor. We have not sliced the pie, we do some of all three pieces.”

Kelley's Katch

Caviar

CAPITALIZATION PROCESS

- ▶ Personal loan to finance processing area
- ▶ All packaging and labeling financed out of promotions and sales
- ▶ Debt paid off within 6 years of building the processing area

“Our personal-loan banker is a real nice guy and has been very interested in our caviar business too. However, he has been most interested in how the business is going to make money and pay the loan off.”

Kelley's Katch Caviar

REGULATORY PROCESS

- ▶ Extensive new and changing regulations
- ▶ Health department
- ▶ TWRA
- ▶ FDA
- ▶ Early dialogue and communications are helpful

“The only new regulations so far that have directly affected us is that we have to write down and keep an accurate record on how much salt goes into the caviar.”

Kelley's Katch

Caviar

BUSINESS GROWTH PROCESS

- ▶ Small window for obtaining inventory (fish) led to more freezer storage demand
- ▶ Establishment of individual sales led to smaller tins to complement market
- ▶ Processing plant built
- ▶ Promotion of Specialty Foods Association

“Right now our sales are wonderful, but we have a limited inventory because our product is limited due to the harvest season and in shelf life.”

R-GROW⁵ **Organic Soil Conditioner**

A personal interview was conducted with Mr. Ed Rollins on March 13, 2000. The interview was conducted by Rob Holland and Buddy Sanders,⁶ who also served as coauthors of the case-study report.

Ed worked as an electrician in the automotive industry before taking on farming full-time in 1995. Ed's primary farm enterprises include two contract-layer houses, custom beef, and honey processing and marketing. At present, all of the farm labor is supplied by Ed, Teresa and their two grown children.

Business Idea Discovery Process

“We decided to compost on the farm to reduce our monthly expenses for incinerating. The idea of bagging the compost just sort of hit us one day when we were spreading the stuff on our fields.”

In 1995, the Rollins' embarked on a project with their county Natural Resources and Conservation Service (NRCS) and built a 40 foot by 120 foot dry-stack shed. The facility was built as a place to compost chicken mortalities and chicken litter from the layer operation in order to protect the environment. Composting was an alternative waste-disposal system to incineration, which was an expensive waste-disposal system for the farm. After composting in the facility, Ed applied the finished compost to his fields and allowed other farmers to spread it on their fields. Soon, farmers began to ask if any compost was leftover and some even offered to buy the compost. The Rollins' began to take their composting business serious and marketed it as a natural fertilizer. In the early days, they sold their compost in bulk (normally by the pick-up truck load) at an average price of \$20 per ton; however, Ed noticed that many customers requested the compost in smaller quantities (less than 100 pounds). He soon considered bagging the product.

⁵ Ed and Teresa Rollins and their two grown children are full-time farmers from Giles County, in Southern Middle Tennessee. Their primary farm enterprises are poultry, beef cattle, custom beef sales, honey and R-GROW Organic Soil Conditioner (composted poultry wastes). Additional information about the business may be obtained by contacting the Rollins family at (931) 363-0265, (931) 424-3985 or via e-mail at oe1@usit.net.

⁶ Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*, and Buddy Sanders is a former Area Marketing Specialist with Extension's Smoky Mountain District.

Market Discovery Process

“I’d load up some bags and just drive around and see businesses that looked like the type that ought to carry my product . . . and I’d just go in and see if they’d be interested in it.”

To get an idea of whether or not there was any interest in a bagged chicken waste product, Ed got some 50-pound clear plastic bags and had some stick-on labels printed. The labels plainly stated (black print on white label) “Organic Plant Food ‘Compost’ Locally produced by Rollins Farm, Call Today!” and included a clip-art apple tree. During the early spring, he made up about 250 bags of the composted chicken waste and carried them with him as he visited lawn and garden/landscaping businesses in his hometown. He also dropped by businesses when he visited family members about 100 miles away. When several stores said they would like to carry the product but needed the label to state the product’s name, Ed quickly had more stick-on labels printed that simply said “R-GROW.” According to Ed, “I guess I must have called on 30 stores and about eight of them agreed to carry the product the first year.” Most stores bought the product outright at a wholesale price. Those reluctant to try a new farmer product were asked to take the product on a consignment basis. At the end of the spring gardening season, Ed went back to visit those who had carried the product and asked them about their experiences with it—a test-market survey. Ed found that the stick-on labels did not stick very long, the bags were too heavy for most customers, the product had a strong odor and moisture accumulated inside the bag.

Ed soon consulted with his county Extension agent about the value-added product and the test-market results. Specialists from the *Agricultural Development Center (ADC)* then took on the project. ADC specialists used focus groups of Master Gardeners to assess consumer preferences for composted-soil fertility products. As a result, a new 22-pound, two-sided print, heat-sealed, attractive, five-color printing on a solid white bag was designed and obtained—20,000 of them. The local farm-supply store personnel and local Co-Op workers provided significant feedback by relaying customer comments about R-GROW back to the Rollins’. ADC technical specialists also assisted in improving product stability. The composting procedures and “recipe” were changed to improve the carbon-to-nitrogen ratio, which improved the odor problems and eliminated moisture formation inside the bags.

The best marketing tool has been personal contacts: contacts with store owners/managers, master gardener groups, trade shows and garden-show exhibits. “We use color brochures, business cards and a number of items in our trade-show display. We have had several folks drive to the farm, show me the brochure and say I want some R-GROW. So I know that the brochure is effective, but I find that more folks will hold onto a business card than a brochure.” Most R-GROW customers (wholesale and retail) have been generated by one-on-one contacts.

A recent arrangement with the Tennessee Farmer’s Co-Op has allowed for widespread exposure and availability of R-GROW across the state. Ed and Teresa participated in a two-day Co-Op lawn and garden trade show, which was attended by representatives from all of Tennessee’s

county Co-Op stores. Individual stores place orders for R-GROW and can obtain it from their internal warehouse and distribution channels.

Capitalization Process

“We were fortunate to have participated in a cost-share program through the NRCS, which provided funds to build the primary composting facility . . . we still need to buy some expensive bagging equipment though.”

Developing a finished soil-conditioner product for sale in a plastic bag can be quite capital intensive at start-up. Some capital purchases were acquired with funds from an available line of credit maintained by the farm. In addition, “we were fortunate to have participated in a cost-share program through the NRCS, which provided funds to build the primary composting facility. We use this 40-foot by 120-foot shed, eight composting bins, tractor, front-end loader, 3-foot thermometers, homemade screening machine, redesigned silage chopper, pick-up truck and trailer in the composting, bagging and distribution process. With no available resources, I’d say there’s probably over \$100,000 of start-up costs. We got by with only a fraction of that.”

A relatively high-capital investment is still being considered at the farm. Automated bagging equipment is on the planning horizon for R-GROW. Bags are currently filled by hand—with the use of a strong back, scoop and bucket.

Regulatory Process

“Figuring out all the regulations was a bear, but once we got everything sorted out and developed some contacts, everything is going fine. We make it a point to NOT cause any problems. We are careful in our composting process and bagging, and we communicate regularly with our regulators.”

Information on many regulations had to be pursued, studied and applied to this business. In fact, the regulatory discovery process was quite grueling. Specialists from ADC provided most of the regulatory investigation and narrowed down the regulatory headaches. Due to labeling requirements and product attributes, the product was positioned as a “soil conditioner” rather than a “fertilizer.” This distinction, along with product descriptions and application suggestions, caused the product to be under inspection and review by the Tennessee Department of Agriculture (TDA), Fertilizer Division. A minimum nitrogen, phosphorous and potassium (N-P-K) analysis, farm address and guaranteed minimum weight must appear on each bag. A monthly fee in the amount of 20 cents per ton of product sold is remitted to TDA. “I’ve sent in a check for as little as four cents, and as much as \$120.” An annual registration fee of \$125 is also paid to TDA. Composting regulations by the Tennessee Department of Environment and Conservation (TDEC) also apply to the business. In addition, because R-GROW is labeled as “approved for use

in certified organic production,” membership in and annual inspections by the Tennessee Land Stewardship Association (TLSA) is required. (TLSA is a private organic-certifying organization in Tennessee.) “Good, consistent communication with regulatory folks has been helpful.”

Business Growth Process

“We have relied on the expertise and insights from so many other people. We communicate with our regulators and we meet what they want every time, on time. We continually seek new buyers through personal contacts, and we try to follow-up with our contacts.”

The R-GROW business has experienced a good growth pattern. As a result of the redesigned bag and an aggressive marketing campaign, sales increased more than 10 times in the second year. In the third year, first-quarter sales exceeded the entire previous-year sales. Additional retail stores continue to carry the product, and more and more, one-on-one contacts with potential buyers are being made. Potential buyers include end-consumers, retail businesses that currently carry R-GROW, and retail businesses that do not currently carry R-GROW. Ed also plans to attend more lawn and garden meetings, master gardening seminars and trade shows; however, in order for production to keep pace with the growth in sales, an automated bagging system must be considered in the near future. The farm has the potential to produce around 300 tons of product per year; however, new composting regulations (which could interfere with future operations) recently implemented by TDEC must be completely evaluated and applied to the value-added R-GROW business.

R-GROW

Organic Soil Conditioner

Business Background

- ▶ Ed & Teresa Rollins
- ▶ Giles County, Tennessee
- ▶ Full-time farmers/entrepreneurs (poultry, beef cattle, honey and R-GROW-Organic Soil Conditioner)
- ▶ Exceptional sales growth in early years (ten-fold from first to second year)
- ▶ Three years of marketing bagged, organic-soil conditioner

R-GROW

Organic Soil Conditioner

Business Idea Discovery Process

- ▶ Noticed a demand for compost in smaller packages
- ▶ Bagged limited amount and peddled to lawn & garden and farm-supply stores (mostly independently owned stores)
- ▶ Changed the product as a result of a limited test market and consumer focus groups
- ▶ Perfected product stability by changes in procedures, recipe and packaging

“We decided to compost on the farm to reduce our monthly expenses for incinerating. The idea of bagging the compost just sort of hit us one day when we were spreading the stuff on our fields.”

R-GROW

Organic Soil Conditioner

Market Discovery Process

- ▶ Initially targeted retail stores (lawn and garden centers, farm-supply stores)
- ▶ Conducted test market in about 8 stores and used results of consumer focus groups to perfect the product/package
- ▶ Developed brochures and business cards and attended trade shows, homeowner meetings, workshops and seminars
- ▶ Invested in many one-on-one contacts (one-on-one contacts found to be best marketing tool)

“I’d load up some bags and just drive around and see businesses that looked like the type that ought to carry my product . . . and I’d just go in and see if they’d be interested in it.”

R-GROW

Organic Soil Conditioner

Capitalization Process

- ▶ A very capital-intensive business at start-up
- ▶ Relatively expensive automation will be a necessity to future business growth
- ▶ Initial funding came from farm savings and farm line of credit
- ▶ Start-up costs were offset by a cost-share program with NRCS

“We were fortunate to have participated in a cost-share program through the NRCS, which provided funds to build the primary composting facility . . . we still need to buy some expensive bagging equipment though.”

R-GROW

Organic Soil Conditioner

Regulatory Process

- ▶ Initially, many regulations to be studied
- ▶ Developed a communication relationship with regulators early-on
- ▶ Monthly fees **always** submitted on time (from 4 cents to \$120 has been remitted)
- ▶ Several proactive regulations to comply with
- ▶ Most regulatory headaches are contingent on complaints with product

“Figuring out all the regulations was a bear, but once we got everything sorted out and developed some contacts, everything is going fine. We make it a point to NOT cause any problems. We are careful in our composting process and bagging, and we communicate regularly with our regulators.”

R-GROW

Organic Soil Conditioner

Business Growth Process

- ▶ Tremendous growth in sales
- ▶ More contacts with retail stores and end-customers are planned
- ▶ Automated bagging equipment will be a necessity
- ▶ Composting regulations may interfere with future operations

“We have relied on the expertise and insights from so many other people. We communicate with our regulators and we meet what they want every time, on time. We continually seek new buyers through personal contacts, and we try to follow-up with our contacts.”

DOTTA SUE'S ORIGINAL BAKE SHOP⁷

“Dotta Sue” may be a famous cookie to many West Tennessee consumers, but even some of Wanda McClure’s neighbors don’t realize that she is the real Dotta Sue. Wanda’s brothers nicknamed her Dotta Sue when they were growing up because it seemed, somehow, easier to say Dotta Sue than Wanda Sue. So when Wanda decided the business needed a logo, she affectionately decided to name the bakery after her childhood nickname, Dotta Sue.

Wanda is a retired bookkeeper and currently runs a part-time daycare out of her home; however she is trying to phase out the childcare business. Wanda’s husband, Jimmy, has a masters degree in agronomy and works full-time for the Agricultural Experiment Station. Together, Jimmy and Wanda raise beef cattle, horses, and lots of dogs and cats on her family farm. They also make up 100 percent of the workforce (purchasing, cooking, packaging, distribution, marketing and bookkeeping) for Dotta Sue’s Original Bake Shop. The bake shop is a state-inspected commercial kitchen facility, despite it’s rustic outside appearance. The commercial kitchen facility is literally barn-based, as it is located in one of the barns on the family farm.

A personal interview was conducted at Dotta Sue’s Original Bake Shop just outside of Paris, Tennessee, by *Agricultural Development Center (ADC)* subcontractor Deborah Scarlett, on January 16, 2001. The case-study report was coauthored by Deborah Scarlett and Rob Holland⁸.

Business Idea Process

“I can wake up at 3 a.m. and come out here (the barn) and bake cookies if I feel like it. It’s like home . . . but its not my house.”

Wanda lives on her grandparents farm. The barn that has been turned into the bake shop was once her grandfather’s livestock barn. She originally turned it into a place where she could can vegetables and fruits, and keep some kids in daycare.

Wanda would send her homemade cookies to college with her daughter. Her daughter’s friends just loved the homemade sweet treats and aggravated her about trying to start a business with

⁷ Dotta Sue’s Original Bake Shop is owned and operated by Wanda and Jimmy McClure. Often referred to as a home-based business, it is really a barn-based business, as the commercial kitchen is located inside one of the old barns on the family farm. The farm is located approximately 4 miles east of Paris, Tennessee, in Henry County. Inquiries may be made by contacting Wanda or Jimmy at (901) 642-8930 or via e-mail at DottaSue@wk.net.

⁸ Deborah Scarlett is a freelance writer working as an independent contractor with the *Agricultural Development Center*, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

them. So in the late 1990s, Wanda started making several different kinds of cookies in her home kitchen and sold them in the local community. Trying to make several different kinds of cookies seemed to require too much time, so Wanda decided to concentrate on perfecting only one cookie. She chose the top-selling cookie, which was also the easiest to make—chocolate oatmeal. With this as her only cookie product, she not only had more time to concentrate on marketing, but she could create this one particular cookie extremely well. Her chocolate oatmeal cookie is cooked on top of the stove and takes less time than oven-baked cookies. She was able to get her cookies into some local markets, various quick stops and a local barbeque restaurant, where she experienced good sales.

After about two years of these limited sales, Wanda decided to go with a more serious marketing scheme and begin making cookies in a commercially-inspected facility. So in 1999, she decided to convert the old family barn into a commercial kitchen. Since then, Wanda has sold Dotta Sue's Cookies to several local markets in the Paris area, and even sells them at the local high school snack bar.

Marketing Discovery Process

“My policy is that I supply you when you need it: I stock each store according to its need so the cookies stay fresh. Some stores sell twelve a week and some sell 100. I'd rather undersell than to sacrifice quality.”

After approximately three years, most of Wanda's markets are still local but her cookies are notorious across the state. With a local market, Wanda's product stays fresh because she retrieves old products each week and replaces them with fresh product. Another product attribute that enhances the appeal of Dotta Sue's Cookies is their lack of any preservatives or additives. While the deletion of additives enhances the freshness of the product, it also mandates that unsold products be removed from stores in about a week, due to the limited shelf life. However, very few un-sold cookies are picked up.

Now in her third year of business, Wanda is working on a broader distribution plan, which includes greater efforts in regional marketing. The only big obstacle she has faced so far is the packaging. She started out individually wrapping her cookies in clear film, which was very time consuming. More recently, however, she has been using a clear cellophane bag that is heat-sealed and stamped with her logo sticker. Although the machine is simple and still has to be done manually, it is more efficient and faster. Now, Dotta Sue's Cookies are still individually packaged but no longer hand-wrapped. In addition to the plastic bag, a crack-and-peel sticker is placed on each cookie; the sticker is a simple design but provides many functions. In addition to serving the practical purpose of taping the ends of the plastic bag together, the sticker portrays the fancy Dotta Sue's logo, with red dots in the background, the multi-color “Pick Tennessee Products” logo, and all minimal labeling requirements.

Capitalization Process

“My granddad farmed all his life. It means a lot to me to make a living on this farm and it would mean a lot to him, too.”

Wanda’s motto is “pay as you go.” Wanda and Jimmy have followed this philosophy to perfection. She used money generated from cookie sales and the daycare business to buy supplies and inventory. Wanda also invested a great deal of time locating low-cost items to stock the kitchen. For example, she found a suitable, old cook stove for \$90. She also searched for bargains on all of her mixing bowls and top-quality stainless steel items.

When they converted the old barn into a commercial kitchen, Wanda went through her local bank for a personal loan. Wanda does all of the bookkeeping for the business by hand; however, they are beginning to enter the computer-age by actively communicating via e-mail, and a Web-site is in the works.

Regulatory Process

“When you have a bakery on private property, you have a lot of regulations for the building, but they (Tennessee Department of Agriculture and the Tennessee State Health Department) have been so nice and more than helpful to us.”

All of the regulations for Wanda’s commercial bake shop have come from the Tennessee Department of Agriculture (TDA). Wanda states that the regulators have been easy to work with and feels that communication with them in the early stages of the business was most helpful. Dotta Sue’s Bake Shop facility is inspected twice a year by TDA regulatory division. The State Health Department did have to check her water, and her barn had to pass inspection before she could open the business. She also had to seal the floors and walls, but she was able to continue to use all the old original barn wood, including some cabinets made from original barn boards. The only thing not authentic to the barn is the bathroom, stove and the marble-topped counter. The Dotta Sue business does not have a lawyer on retainer, but they do carry insurance on the bakery and product liability insurance on the cookies.

Business Growth Process

“Now that the kitchen is paid for, I want to expand my product line which means adding a commercial oven and mixer so that I can do oven-baked cookies and gift baskets.”

Critical resources for the success of Wanda’s business are the people who enjoy a sweet homemade treat. Wanda hopes to expand to one or two other types of cookies or candy, but is

happy with where she is now. Wanda is considering a possible expansion in her product distribution by shipping across the state to various markets; however, the current size of her business is “perfect” for her because it is at home and that is where she likes it. Wanda and her husband are the only employees and they plan to keep it that way. However, an expanded product line is in the making. A no-bake chocolate- and peanut butter- free cookie is being developed and a commercial convection oven and commercial oven are being planned so a line of oven-baked cookies can be added.

Dotta Sue's Original Bake Shop

BUSINESS BACKGROUND

- ▶ Wanda and Jimmy McClure
- ▶ Henry County, Paris, Tennessee
- ▶ Specialty cookies
- ▶ Wanda: retired bookkeeper and daycare business
- ▶ Jimmy: works full-time for the Agricultural Experiment Station
- ▶ Part-time farm with cattle and hay

Dotta Sue's Original Bake Shop

BUSINESS IDEA DISCOVERY

- ▶ Interested in using grandfather's barn, living at home and making some money
- ▶ Wanda received lots of praise and encouragement on her baked goods from her daughter's college friends
- ▶ Suited Wanda's lifestyle and need for a career change
- ▶ Lots of local customers and markets
- ▶ Initial construction costs were minimal; payback is considered immediate

"I can wake up at 3a.m. and come out here (the barn) and bake cookies if I feel like it. It's like home . . . but it's not in my house."

Dotta Sue's Original Bake Shop

MARKET DISCOVERY PROCESS

- ▶ Started locally (3 miles from the farm) with a few quick stops and convenient stores
- ▶ Expanded distribution area (county-wide) and the number of stores
- ▶ Developed contract with local school system
- ▶ Started some special orders for holiday gift sets (including a variety of baked goods)
- ▶ Most success due to word-of-mouth
- ▶ Developed logo, changed packaging, diversified product line (offered different size and quantity of cookies) developed brochure, got on-line.

“My policy is that I supply you when you need it: I stock each store according to its need so the cookies stay fresh. Some stores sell twelve a week and some sell 100. I'd rather undersell than to sacrifice quality.”

Dotta Sue's Original Bake Shop

CAPITALIZATION PROCESS

- ▶ Renovation of barn (kitchen) was not extensive. Debt-free in three years
- ▶ Kitchen equipment was not extremely expensive (started out with a used conventional oven, though a commercial oven would be better)
- ▶ The business requires very little operating cash. Operates on a pay-as-you-go policy

“My granddad farmed all his life. It means a lot to me to make a living on this farm and it would mean a lot to him, too.”

Dotta Sue's Original Bake Shop

REGULATORY PROCESS

- ▶ Tennessee Department of Agriculture inspects the kitchen facility
- ▶ Early communication was established before business began
- ▶ Inspected twice a year
- ▶ Obtained county business license
- ▶ Regulatory agencies were “wonderful” to deal with

“When you have a bakery on private property, you have a lot of regulations for the building, but they (TN Department of Ag and the TN State Health Department) have been so nice and more than helpful to us.”

Dotta Sue's Original Bake Shop

BUSINESS GROWTH PROCESS

- ▶ 96 percent of business is on one very popular cookie: chocolate oatmeal
- ▶ Products are touted as homemade and were marketed for three years with no preservatives or additives
- ▶ Cookies individually packaged (3-ounce) and in Dotta's Dozen (13, 1.5-ounce cookies in a poly-coated bakery bag with a window)
- ▶ Stores stocked and restocked as needed, normally once a week
- ▶ Regional distribution and new products in fourth year of business

“Now that the kitchen is paid for, I want to expand my product line which means adding a commercial oven and mixer so that I can do oven-baked cookies and gift baskets.”

THE PUMPKIN PATCH AT LIMOLAND⁹

A personal interview was conducted with Mrs. Carol Gordon on March 14, 2000. The interview was conducted by Rob Holland and Buddy Sanders,¹⁰ who also served as coauthors of the case-study report.

Carol drove a school bus for 17 years: it suited her time schedule for many years, but the pay was not very good, discipline problems got worse, and the demands on her time from the family farm operation continually grew. When she stopped driving a school bus, Carol devoted more time to the farm operation, which consisted primarily of beef cattle. The family farm (Limoland) has hosted an annual production sale of Limousin breeding stock for more than 12 years—so they are accustomed to hosting large groups to the farm.

Eventually, Carol began to consider enterprises to diversify the farm operation. Her grandmother raised eight children and managed three farm enterprises: Airedale terriers, flowers and turkeys. Carol's fond memories of her grandmother's garden have long-inspired her.

Business Idea Discovery Process

“I've always liked to try new things . . . my Dad has been a great encourager for me and has helped me pursue my ideas.”

With fond memories of time spent in her grandmother's garden, Carol has always clung to the idea of a greenhouse and pumpkin production. She never had any training in either, so she read everything she could. In 1994, with no marketing plan whatsoever, she built her first greenhouse. In 1996 11 acres of jack-o-lantern and exotic pumpkins were planted. The greenhouse was made from storm-damaged timber on the farm, and was filled with equipment obtained from a greenhouse that had gone out of business in another part of the county. The former greenhouse operator provided her with some good ideas for her own operation. She acquired some seed catalogs and started with ferns, petunias, lantanas and other green-foliage plants in the greenhouse, and had a good production year. “In June two years later, my Dad and I planted 11 acres of pumpkins with a shovel. It was probably beginners luck and good weather but we had a

⁹ Limoland is the all-encompassing name of the multi-generation family farm operation in Northern Giles County. The farm is located on U.S. Highway 31, about 8 miles north of Pulaski on a portion of the old Milky Way Plantation. Named for their registered Limousine beef cattle operation, Limoland hosts annual production sales and agri-education tours, features a pumpkin patch and school field trips and manages greenhouses. Additional information about the operation may be obtained by contacting Carol Gordon at (931) 363-5744 or by writing 8076 Columbia Highway, Pulaski, Tennessee 38478.

¹⁰ Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*, and Buddy Sanders is a former Area Marketing Specialist with Extension's Smoky Mountain District.

fantastic pumpkin crop that year. Since then, the school of hard knocks has been a good teacher.”

Market Discovery Process

“We sold everything we produced in the greenhouse the first year and all I had was a handmade poster-board sign nailed to a pole at the highway in front of the farm. I knew the potential was there, if I could just manage it all. We’ve had folks from two-weeks old to over 90 on the hayride at the pumpkin patch.”

The farm is located about 8 miles outside of town on a major north-south federal highway. A poster-board sign was nailed on a pole along the highway, in front of the farm. All of the spring greenhouse plants were sold the first year, direct from the farm. First-year sales topped \$12,000. Carol’s father started growing mums as a complement to their pumpkins for the fall. Mums and pumpkins were loaded in the pick-up truck and taken to town for direct-to-consumer sale at a roadside stand: “That didn’t work!” They visited a pumpkin patch entertainment farming enterprise earlier in the year and, believing they could have a similar operation at Limoland, they decided to just sell what they could from the farm. The mums and pumpkins were unloaded in front of an attractive barn and arranged for retail sale.

It was expensive but they invested in a great deal of local radio and newspaper advertisements—“the advertisements paid off though.” “I knew the potential was there if I could just manage it all.” Gross sales more than doubled in the second year and have grown each year since. They soon started targeting school groups during the week, and the general public on weekends. They continued to heavily promote “The Pumpkin Patch at Limoland” during the month of October. Approximately three to four school groups come to the farm each weekday in October; for a \$4 per-person charge, each student gets a pumpkin, a hayride, a short educational program about farming, and a video on a big-screen television. A variety of farm animals are on-hand as well. On weekends, “we don’t charge an admission fee; we just sell our products and provide a free hayride.” A majority of customers come from within the county, while some customers come from surrounding counties.

A great deal of information has been obtained from attending the Tennessee Flower Growers Association, and Fruit & Vegetable Growers Association annual meetings. Several Extension programs have provided helpful information as well.

Capitalization Process

“With great success from the first year, I went down to the bank and got me a line of credit to expand the greenhouse and pumpkin enterprises.”

“The Pumpkin Patch at Limoland” and “Country Tones Greenhouse” consist of pumpkins, hayrides, greenhouse production and bedding plants purchased for resale. The enterprises have

been developed over a period of six years and are still growing. Because of the slow and steady growth, a substantial investment at any one time has been avoided. Funds have been borrowed on a line of credit from a local bank to fund different phases of the operation. The first year of success helped to obtain the line of credit.

The construction of greenhouses and acquisition of the production items (seed, materials, labor) can be relatively expensive; however, construction in phases and the use of family labor helped to minimize costs. One of the first major expenses for the pumpkin operation was a two-row, no-till (corn) planter. Several old wagons (silage, cotton) have been purchased for use with the hayrides and to haul pumpkins from the field to the barn. Portable toilets and picnic tables are rented during October.

Regulatory Process

“Our regulatory constraints have been minimal. We have a good greenhouse inspector and everything has been very reasonable.”

A greenhouse certification is required each year from the Tennessee Department of Agriculture. A good relationship has been established with the greenhouse inspector who stops by unannounced three or four times a year. Future regulatory implications are expected related to quarantined areas for fire ants.

Although not a regulation, Carol sees liability insurance coverage as an absolute necessity for the operation because of the number of people they have coming onto the farm. The cost of a liability policy was added to the farm’s overall insurance premium and, therefore, did not represent a large expense for the operation.

Business Growth Process

*“You’ve gotta get used to people coming up to your house and wanting to buy stuff—you get tied to this business and just can’t say **closed** and leave it.”*

Production activities spurred by a mere interest in greenhouses and pumpkins have created a strong business at the Gordon farm. Quality products from the farm have filled a demand for greenhouse plants, mums and bedding plants. A good farm experience is provided through a variety of pumpkins, gourds, winter squashes and a hayride. Because of the significant contribution the direct-from-farm enterprises have made on the overall farm income, even Carol’s husband, Steve, has become more interested in helping out when needed. A third greenhouse is currently under construction and the product line continues to expand. Additional advertisements in surrounding areas are being considered, although word-of-mouth advertising is admitted to be the best business promotion.

Pumpkin Patch at Limoland

Business Background

- ▶ Carol & Steve Gordon
- ▶ Giles County, Tennessee
- ▶ Full-time farm family (beef cattle, direct-from-farm greenhouse sales & entertainment farm)
- ▶ Exceptional sales growth in early years
- ▶ Six years of marketing greenhouse production and four years of selling pumpkins direct from the farm
- ▶ Four years of hosting school groups and the public on weekends during October

Pumpkin Patch at Limoland

Business Idea Discovery Process

- ▶ Always had an interest in greenhouses and pumpkins
- ▶ Quit job as school-bus driver and needed additional farm income
- ▶ Attended association meetings and Extension programs
- ▶ Purchased equipment and other items from a retiring greenhouse operator

“I’ve always liked to try new things . . . my Dad has been a great encourager for me and has helped me pursue my ideas.”

Pumpkin Patch at Limoland

Market Discovery Process

- ▶ Did very little initial market research
- ▶ First tried roadside sales in town
- ▶ Nailed poster-board sign in front of farm and sold entire inventory first year
- ▶ Made changes in product line as a result of consumer interest
- ▶ Soon targeted school groups; each student gets a pumpkin, hayride, picnic area and short educational program (for a per-person fee)

“We sold everything we produced in the greenhouse the first year and all I had was a handmade poster-board sign nailed to a pole at the highway in front of the farm. I knew the potential was there, if I could just manage it all. We’ve had folks from two-weeks old to over 90 on the hayride at the pumpkin patch.”

Pumpkin Patch at Limoland

Capitalization Process

- ▶ Added activities and enterprises in phases to test the market and avoid large expenditures
- ▶ Used a line of credit for funds to start different phases and to make needed purchases
- ▶ First year of success helped obtain the line of credit

“With great success from the first year, I went down to the bank and got me a line of credit to expand the greenhouse and pumpkin enterprises.”

Pumpkin Patch at Limoland

Regulatory Process

- ▶ Very few regulations to be considered
- ▶ About 2-4 unannounced inspections of greenhouses each year
- ▶ Fortunate to have a good and reasonable inspector
- ▶ Liability insurance is an absolute necessity, but not required by a regulator

“Our regulatory constraints have been minimal. We have a good greenhouse inspector and everything has been very reasonable.”

Pumpkin Patch at Limoland

Business Growth Process

- ▶ Tremendous growth in sales
- ▶ More production capacity is being built (another greenhouse)
- ▶ Product line continues to change based on needs of customers and competition
- ▶ The Pumpkin Patch is indeed a good enterprise that contributes well to the overall farm enterprise

*“You’ve gotta get used to people coming up to your house and wanting to buy stuff—you get tied to this business and just can’t say **closed** and leave it.”*

RED BARN WINERY¹¹

Judy and Glen Clements are no strangers to farming and hard work. They've been in the dairy business, hydroponic tomatoes, lettuce and strawberries, and the tobacco business. However, the family's latest farm venture of processing wine, in a dry county, may be their toughest challenge yet. The vineyards and the Red Barn Winery are located in Macon County, just outside of Lafayette. A personal interview was conducted at the winery on January 17, 2001 by *Agricultural Development Center* subcontractor Deborah Scarlett. The case-study report was coauthored by Deborah Scarlett and Rob Holland¹².

Business Idea Process

“After the last tobacco base reduction, it was either stay on the farm or go to public work. And this farm is our love.”

The continual reduction in tobacco quota has caused complications with the Clements' farming routine. In fact, the last reduction in tobacco set the family's income back about \$32,000 a year. In 1994, Judy started a vineyard with special emphasis on the Tennessee “Pick-Your-Own” program. The first year, they had 2 acres of blackberries and 4 acres of grapes. Their first-year success motivated them to enter the seventy-five/twenty-five program in Tennessee where wineries in the state obtain a minimum of 75 percent of the fruit for their wine from Tennessee growers. Soon after they got started in grape production, the Clements added 6 more acres of grapes. The more research Judy did (going back to school as she puts it), the more successful they became. After about 8 years of experience in grape production, they decided they were ready to try processing wine on their own; in 1999, they received their license and regulatory approval to operate a winery. Then, about eight to ten months after approval (about the time it takes to get wine ready for sale), they opened the farm winery to the public in May 2000.

Planting and growing grapes for use in a winery was not a foreign project to them because they have always farmed and already knew a lot about the soils on their farm. But there was certainly more to learn about the processing and aging stage of wine-making. They credit The University of Tennessee Extension Specialists, Dr. David Lockwood and Dr. Bill Morris, with helping them in

¹¹ In 1994, 5 acres of grapes were planted on the Clements' farm and have since flourished. The old tobacco barn was transformed into what is now the Red Barn Winery, which opened on May 15, 2000. The Clement family takes great pride in being part of the agricultural vineyards and wineries of Tennessee. Red Barn Winery and Vineyard is owned and operated by Glen and Judy Clements. The winery is located on the farm at 1805 Tanyard Road, Lafayette, Tennessee 37083. Additional information may be obtained by contacting the business at (615) 688-6012 or via e-mail at: clements@nctc.com.

¹² Deborah Scarlet is a freelance writer working under independent contract with the *Agricultural Development Center*, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

that area. “We would have probably lost three years if UT hadn’t stepped in and helped us.”

Judy did about four years of research before opening the winery. The types of research included purchasing and reading books, going to the library, becoming a member of the TVOS¹³ (grape-growers and wine makers association), and attending seminars sponsored by Purdue University. In addition to attending many lectures and visiting other vineyards and wineries, self-discipline and self-training are what Judy attributes to the success of their winery today.

Market Discovery Process

“It all starts in the vineyard. If you don’t have the right grapes or a healthy grape, you can’t make a quality wine. And we are not located on the interstate; if we don’t have local trade, we don’t have anything.”

Glen and Judy’s wines have already received national acclaim. Several of their wines have won medals at wine shows and festivals. “*Tennessee Redneck*,” a sweet red wine, was awarded a second-place medallion. That is quite an achievement, especially considering how young their winery is; it attests to how well Judy and Glen have done with their grapes and vineyard.

The Clements only grow American bunch or French-American hybrid varieties. They do not grow any grapes that are not adapted to the climate. In fact, they started the vineyard from local cuttings. Local residents are the number one customers, in addition to trade from tourists. Judy and Glen live in a dry county and, similar to all Tennessee wineries, cannot ship Tennessee wine in or out of state without a distributor; nor does she have her wine in liquor stores yet. They carefully advertise in local newspapers and they feature other “Pick Tennessee Products” in their store’s tasting area as something special for their customers.

Even though they are in a dry county, they can sell their product by the bottle at the winery and can even offer tastings. This is allowed only because of the Tennessee Farm Winery law that is upheld by the State and Federal government. They have built a beautiful tasting room in their tobacco barn, complete with a fireplace and wine rack and they use only Tennessee products as exhibits and for retail sales. For example, East Tennessee dairyman John Harrison’s Sweetwater Valley Cheese is sampled at every tasting. Again, the wine cannot be sold by the glass, but it can be sampled in a smaller glass described as a toasting flute.

¹³ TVOS is the acronym for the Tennessee Viticultural and Oncological Society.

Capitalization Process

“All we had besides the land and the tobacco barn was the collateral of our own grapes that had been established in 1994. We already had a product worth \$85,000 dollars, so we borrowed against our crop to reconstruct the tobacco barn and buy a minimum amount of start-up equipment.”

Judy and Glen felt like they talked to everyone about locating grant money to assist them with their plans for the tasting room and processing area. However, the Small Business Association and their county executive said there were no grants available for agricultural businesses of that type. They finally went to their local banker who wanted them to submit a financial plan for the beginning, middle and end of their projected business plans. The local bankers knew Glen and Judy from previous business ventures, but they still wanted them to explain many factors about how the winery would make money in a dry county.

Glen and Judy have formed the winery business as a Limited Liability Company (LLC) and says it works great for her. It was simple enough for her to do herself; they do their own bookkeeping with Quicken and Quickbooks Pro, and they keep a lawyer on retainer. The winery does not have consistent hired labor, primarily just Judy and Nathan, their 16-year-old son, until they begin to harvest grapes and berries.

Regulation Process

“Whether you need the county’s approval or not is not the point in this business. Be in full communications with what types of restrictions and regulation agencies you need. I played the public relations game and it’s wonderful in the long run. If you follow the chain of command, you won’t regret it later.”

Judy didn’t really need the county’s approval for many of the regulations that she sought; however, she made the county aware of where she was on her project, which helped her with local officials later. (Judy had a lot of restrictions, regulations and paperwork to deal with.)

A synopsis of the steps Judy followed in the development of her winery business are outlined below:

- ▶ First, she informed local county officials about her plans.
- ▶ Next, the health department came out and checked the water.
- ▶ Then, the floor plan was sent to the Tennessee Department of Agriculture.
- ▶ In the meantime, she started on the extensive paperwork concerning the Alcohol Beverage Commission. Once she was granted a permit from them, she began the paperwork for the Bureau of Alcohol, Tobacco and Firearms.
- ▶ The most scrutinizing of paperwork was with the Washington DC labeling Department, which, of course, demands you label very specific warnings about your product and the amount of alcohol it contains.

It is very extensive and exasperating paperwork and everything has a deadline. Judy's advice is to keep up with everything and turn things in on time.

Business Growth Process

“There’s a whole lot you can do and still comply with the laws. Don’t stick your head in the sand.”

Judy and Glen have many plans for their winery: a room is being added for wedding parties, other receptions, group meetings or business dinners. They also foresee having grape-stompin’ jamborees and local recreational music concerts such as bluegrass shows.

Resources that are critical for success of their farm winery business are their health, the land and soil, and the support of local trade and tourists. Their biggest obstacle is their location. The winery is not located on a major highway, which would have been beneficial for them concerning tourism trade. In fact, some of the roads to the winery are in critical need of repair, and the location is difficult to find if you are not familiar with the county. So, relationships with county residents are very important to the winery yet word has rapidly spread about this unique farm winery. Judy as said all along that it is a build it and they will come enterprise.

Red Barn Winery

BUSINESS BACKGROUND

- ▶ Judy and Glen Clements
- ▶ Macon County, Lafayette, Tennessee
- ▶ Previously in the dairy business
- ▶ Tobacco farmers
- ▶ Hydroponic strawberries, lettuce and tomatoes
- ▶ Judy is originally from the California grape country

Red Barn Winery

BUSINESS IDEA DISCOVERY

- After continued reduction in tobacco quota, began vineyard research
- Started with the Tennessee “Pick Your Own” program . . . went to the Tennessee 75/25 program
- Already had land and established vineyards using cuttings from local region
- Strong family interest in diversifying agricultural enterprises

“After the last tobacco base reduction, it was either stay on the farm or go to public work. And this farm is our love.”

Red Barn Winery

MARKET DISCOVERY

- ▶ Did immense amount of research prior to beginning the vineyard
- ▶ Renovated tobacco barn for processing and tasting room
- ▶ State and federal regulators were considered friends not foes
- ▶ Notoriety attracts locals and tourism trade
- ▶ Wines have won awards nationally
- ▶ Understanding of local public relations is essential

“It all starts in the vineyard. If you don’t have the right grapes or a healthy grape, you can’t make a quality wine. And we are not located on the interstate; if we don’t have local trade, we don’t have anything.”

Red Barn Winery

CAPITALIZATION PROCESS

- ▶ Notoriety attracts locals and tourism trade
- ▶ Used grape crop as collateral
- ▶ Approximately \$85,000 in product collateral
- ▶ Worked with local bankers to build a financial plan

“All we had besides the land and the tobacco barn was the collateral of our own grapes that had been established in 1994. We already had a product worth 85,000 dollars, so we borrowed against our crop to reconstruct the tobacco barn and buy a minimum amount of start-up equipment.”

Red Barn Winery

REGULATORY PROCESS

- ▶ Extremely intensive regulations:
 - ✓ State Health Department
 - ✓ Washington, D.C. labeling agency
 - ✓ ATF
 - ✓ ABC

- ▶ Extreme amount of paperwork and deadlines

- ▶ Prior communication is a must!

“Whether you need the county’s approval or not is not the point in this business. Be in full communications with what types of restrictions and regulation agencies you need. I played the public relations game and it’s wonderful in the long run. If you follow the chain of command, you won’t regret it later.”

Red Barn Winery

BUSINESS GROWTH PROCESS

- ▶ Building a banquet hall on to the tasting room
- ▶ Anticipates hosting future wine & cheese tastings, concerts and a jamboree
- ▶ Enjoys novelty
- ▶ Promotes the “Pick Tennessee Products” campaign

*“There’s a whole lot you can do and still comply with the laws.
Don’t stick your head in the sand.”*

FREEDOM FRESHWATER SHRIMP COMPANY¹⁴

Dan Cook and Doug Elder are partners in the Freedom Freshwater Shrimp Company: an aquaculture business unique to Tennessee. Both partners are very proud of the business they have been able to build. Some of the difficulties encountered along the way have been achieving public acceptance and engaging the number of ponds needed to meet production goals. They have had to create a large amount of positive publicity regarding their business and future plans. Because it is such a new enterprise, they are not eager to reveal all of their secrets, but they are interested in aquaculture and supplying the needs of producers who decide to grow shrimp¹⁵.

A personal interview was conducted at the Freedom Freshwater Shrimp headquarters in Byrdstown, Tennessee, on January 18, 2001, by *Agricultural Development Center* subcontractor Deborah Scarlett. The case-study report was coauthored by Deborah Scarlett and Rob Holland¹⁶.

Business Idea Process

“In 1998, we dug our first pond to test the research we had accumulated. We wanted to make sure that the research actually did what it said it would before we started big.”

Most of the research information that was considered in the developing days of the Freedom Freshwater Shrimp Company came from Mississippi State University and Kentucky State University. In time, the experiments, demonstrations and application of previous experiences were combined with the University research. Dan had previous experience as a land developer and worked as an engineer with the Ford Motor Company. Dan actually came to Doug’s wife (she is in real-estate) with his idea first. Doug was familiar with some of the freshwater shrimp research and became more interested in the venture. He talked with Doug and they both decided to build a

¹⁴ Freedom Freshwater Shrimp Company was started in 1999 by Doug Elder and Dan Cook in Pickett County, near Byrdstown, Tennessee. Elder, a livestock nutritionist for 23 years, and Cook, an engineer with the Ford Motor Co., dug a 1-acre pond in the Spring of 1999 and harvested more than 1,000 pounds of freshwater shrimp in October of the same year. By December, all of the paperwork had been finalized to incorporate the Freedom Freshwater Shrimp Company, with Elder listed as the company President and Cook as the company’s Director of Financial and Engineering Operations. Additional information about the business should be requested by contacting the company headquarters at P.O. Box 39, Byrdstown, Tennessee 38549-0039; (931) 864-3005; or via e-mail at relder@infoave.net.

¹⁵ The freshwater shrimp animal is by scientific name a prawn. However, due to its similar characteristics to saltwater shrimp and its freshwater climate it is often referred to by the common name of freshwater shrimp. Freshwater shrimp and prawns are often used interchangeably.

¹⁶ Deborah Scarlett is a freelance writer working as an independent contractor with the *Agricultural Development Center*, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

research pond in Pickett County.

After harvesting their first freshwater shrimp, they were “hooked!” They invested a tremendous amount of time and money in public relations and advertising to get the word out about their venture. The initial obstacle was convincing the public that growing shrimp in Tennessee was feasible. They knew that introducing a new farm product to the public would be difficult—simply because it is difficult to believe that something new will work. However, potential producers in the area were receptive, and after harvesting the first pond, other potential growers seemed “hooked” too.

After the first-year’s success with the shrimp pond, the business was designed and developed as a full-line organization to supply equipment, provide support and market freshwater shrimp through contractual agreements with shrimp farmers in Tennessee, Kentucky and other multi-state areas. A nursery facility was built to grow post-larvae shrimp purchased from a private hatchery to juvenile-size ready for pond stocking. In the nursery operation, the post-larvae shrimp arrive at the nursery facility about one-quarter-inch long and about the width of a pencil mark. The post-larvae shrimp are grown in specially-designed tanks in a controlled environment for about 45 days, ideally from April 1 to June 1. The water quality in the tanks is closely monitored for temperature, pH, dissolved oxygen and nitrates. Post-larvae shrimp are grown for approximately 45 to 60 days to about one-half to three-quarter inches in length at which time they are often called juveniles and are ready to be stocked into production ponds.

The one-half to three-quarter-inch shrimp from the nursery are sold under contract to shrimp farmers/pond owners by Doug and Dan’s Freedom Freshwater Shrimp Company. Approximately 16,000 prawns are stocked per surface-acre of pond around June 1 at a cost to the farmer of approximately 12 cents each or \$1,920 per one-acre pond. The price for prawns is FOB Byrdstown, although Freedom Freshwater Shrimp Company does provide a transportation and delivery service. The Freedom Freshwater Shrimp Company contract stipulates that the company’s specially designed shrimp food be fed during the growing season. Each one-acre pond of freshwater prawns will require approximately 2,000 pounds of feed during the 120-day growing season. The feed cost per ton is approximately \$480 to the farmer.

Freedom Freshwater Shrimp Company provides assistance to contracting farmers in the design and construction of ponds. The company also sells all the necessary start-up pond equipment to contracting farmers. Contracting farmers actually take ownership of the juvenile prawns at delivery, and are responsible for managing the growth of the prawns during the 120-day growing season so that they attain a harvestable weight of 25 to 30 grams each (8 to 12 inches in length).

The Freedom Freshwater Shrimp Company contract stipulates an agreement on the part of the company to purchase the grown-out shrimp at a specified price. About 1,000 pounds of shrimp are harvested per acre pond; harvesting occurs during late September or early October. Harvested shrimp are weighed, purchased and loaded by Freedom Freshwater Shrimp Company at the pond location. The shrimp are then hauled to the company transfer station, the only one of

which is currently located near Byrdstown. Other transfer stations are planned throughout the contracting region. Shrimp are commingled at the transfer station and hauled to prearranged markets.

Market Discovery Process

“First we were geared toward production but after we got into it, we realized we would do better in a whole program for other producers; we put our energies in that direction.”

At harvest, the Freedom Freshwater Shrimp Company buys shrimp according to their prearranged contracts and commingles them with other contract shrimp before transporting them to their buyers. The shrimp are marketed nationally and some are sold to export markets such as Japan and Canada. It has been difficult for Doug and Dan to break into the local markets. Most of the shrimp are sold on a wholesale market, but the Freedom Freshwater Shrimp products are slowly being developed for retail markets. Freedom Freshwater Shrimp ship their product in 500- to 700-pound containers, while grocery stores sell by the pound. The Freedom Freshwater Shrimp Company employed a local artist to design their now-trademarked label.

Capitalization Process

“Our start-up money was personally financed.”

Funding for the business was not an easy process. The partners combined personal resources in the early stages for seed money to operate the research pond and get the business going. They operated quite a while under a hand-shake arrangement until they felt like the business was a sustainable and viable career. Then, outside funding was sought to build the first nursery facility and provide additional operating funds. After the first year of contracting on about 60 ponds, phase two of the business plan called for an additional nursery facility, a hatchery and processing capabilities. Outside funding was obtained; without disclosing the financial propriety of the business, suffice it to say that investment in the freshwater shrimp industry may range from around \$5,000 in a one-acre pond, to several millions for a full-phase production, processing and marketing business.

Regulatory Process

“There are many hurdles to get over . . . you have to find out what they are ahead of time.”

There are some regulations for the aquaculture business. Dan’s suggestions are to contact the government agencies ahead of time and stay informed of the laws. Dan and Doug had already done some research about the regulation process, so they basically knew what they would

encounter as the business grew. From a production standpoint, (shrimp ponds) the primary regulatory concerns are with the Tennessee Department of Environment and Conservation (TDEC), and the Natural Resource Conservation Service (NRCS). Adding value to shrimp by distribution, processing and marketing may involve additional regulatory oversight from agencies such as the Food & Drug Administration (FDA), State Health Department officials, Interstate Commerce Commission, and the United States Department of Agriculture (USDA).

Business Growth Plan

“Most people don’t put together enough money beforehand . . . and that plays a heavy part in the success of a plan.”

The Freedom Freshwater Shrimp Company started with significant research into an undeveloped industry. The research process was followed with on-farm production trials in their home-county; with production success in their on-farm trial, the business invested in a nursery facility and contracted with farmers having approximately 60 ponds. After harvesting the 60 ponds in the first year, shrimp were commingled and sold to various wholesale buyers, primarily in the northeast, and locally. Also, after the first year of production, investments in another nursery, hatchery and processing facilities have been made and contracts are planned with more than 150 ponds. Continued growth in the number of contracted ponds is planned, as well as emphasis in consumer-ready retail products.

Freedom Freshwater Shrimp Company

BUSINESS BACKGROUND

- ▶ Dan Cook and Doug Elder (partners)
- ▶ Pickett County, Byrdstown, Tennessee
- ▶ Dan: retired engineer from Ford Motor Co.; experience in business development
- ▶ Doug: retired livestock nutritionist (Pickett County native)

Freedom Freshwater Shrimp Company

BUSINESS IDEA DISCOVERY

- ▶ Interest in diversified agriculture
- ▶ Used research from Mississippi State and Kentucky State Universities
- ▶ Initial construction costs were considered reasonable
- ▶ Minimal hired-labor was needed
- ▶ Business creates jobs and revenue for area

“In 1998, we dug our first pond to test the research we had accumulated. We wanted to make sure that the research actually did what it said it would before we started big.”

Freedom Freshwater Shrimp Company

MARKET DISCOVERY

- ▶ Built test-pond for on-site research trials
- ▶ Market analysis prior to production, developed multiple market avenues prior to production
- ▶ Early success with shrimp production
- ▶ Lots of public relations and feature articles were used to promote the business (it was a very newsworthy venture)
- ▶ Climate is good for investment
- ▶ Considered alternate crop for tobacco producer
- ▶ Developed business cards, promotional video and brochures

“First we were geared toward production but after we got into it, we realized we would do better in a whole program for other producers; we put our energies in that direction.”

Freedom Freshwater Shrimp Company

CAPITALIZATION PROCESS

- ▶ Pooled resources in the early days
- ▶ Operated under a handshake partnership
- ▶ Required little operating costs in development phase
- ▶ Formalized the business and sought outside funds as phase two was implemented
- ▶ Investment ranges from \$5,000 per pond, to several million for value-added enterprises

“Our start-up money was personally financed.”

Freedom Freshwater Shrimp Company

REGULATORY PROCESS

- ▶ Regulatory oversight comes in stages
- ▶ Very little regulation in the production stage (ponds)
- ▶ Extensive regulatory process for processing stage
- ▶ Early dialogue and communications needed with regulators

“There are many hurdles to get over . . . you have to find out what they are ahead of time.”

Freedom Freshwater Shrimp Company

BUSINESS GROWTH PROCESS

- ▶ Addition of 100 ponds in second year
- ▶ Plan to fully integrate the business with additional nursery, hatchery, processing and retailing facilities
- ▶ Moving from national trade into international trade
- ▶ Break into local markets (Nashville and Knoxville)
- ▶ Projected to create jobs and revenue in area

“Most people don’t put together enough money beforehand . . . and that plays a heavy part in the success of a plan.”

SWEETWATER VALLEY FARM¹⁷

A personal interview was conducted with John Harrison, owner of Sweetwater Valley Farm, at the cheese-making plant on November 13, 2000—at which time John was anxiously awaiting the arrival of his fifth child. The interview was conducted by *Agricultural Development Center* subcontractor Deborah Scarlett. The case-study report was coauthored by Deborah Scarlett and Rob Holland¹⁸.

Entering Sweetwater Valley Farm from U.S. Highway 11 looks like a showplace rather than a working farm, but the picturesque scenery is no accident. John Harrison has made every effort to coordinate the extensive farm, processing and retail operations with the landscape—with the insistence of his wife, Celia, of course. The cheese store has a plantation-style front, which goes well with the Sweetwater Valley rural countryside and the family's recently restored two-story plantation home that sits about 200 yards to the right of the store. The rolling, extensive lawn and four-board fence surrounding the vast pasture in front and beside the store, give it equal appeal and charm. The dairy and the new milking parlor stretch to the left of the store.

Business Idea Discovery Process

"Land was deteriorating here; people were selling out and I wanted to stay. I had to think of some way to expand our operation, and adding more cows was not the answer."

John knew he had a great piece of property with some 600 acres of prime farmland, but he also knew things were not going well with the fluid milk market. If he wanted to stay in the dairy business and remain on the farm, he had to find a way to make money from it. That is what got him interested in changing the way he marketed fluid milk. His first ideas were to expand the dairy to make ice cream, and he even considered opening a restaurant on the farm. But after some extensive research, it was discovered that cheese would likely be the best value-added venture with the greatest chance of return.

¹⁷ Sweetwater Valley Farm is a working dairy operation that signifies the ultimate value-added farm business. Approximately 1,000 dairy cows are milked each day on the farm, which is located 2 miles from Interstate 75 on U.S. Highway 11, in the Philadelphia community. About 300 yards from the milk parlor is a state-of-the-art cheese processing facility and retail store. The farm, cheese plant and retail store are located at 17988 West Lee Hwy, Philadelphia, Tennessee 37846. Additional information about the business may be obtained by calling (865) 458-9192; e-mail at info@sweetwatervalley.com; or on the web at <http://www.sweetwatervalley.com>

¹⁸ Deborah Scarlet is a freelance writer working under independent contract with the *Agricultural Development Center*, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

The University of Tennessee's Food Science Department, primarily Mr. Tommy Burch, helped with research and contacts, once the idea to process cheese became a reality. Research included traveling to other facilities and taking a short course in Cheese Production at Washington State University. Reading about the cheese industry and joining the National Cheese Society added to the information and contacts John collected. In total, about one year was spent researching, traveling and looking at other facilities. The business employs about 12 to 15 people; seven to eight on the farm, and six in the cheese plant.

Marketing Discovery Process

“The best thing that happened to us was to get in with Kroger, a large retail chain, and not have to worry about the \$5 to \$10 sale here at the store. However, we haven't been aggressive enough in small stores and specialty shops.”

John met Knoxville's Noon-Day Chef, Walter Lambert, by accident. Walter was affiliated with Kroger, which was an association that would greatly benefit John. Infiltration of other retail stores has been attempted but they aren't as flexible as Kroger. For example, Sweetwater Valley Farm has worked with Food City for eight months and are still trying to solve some of the marketing problems.

There wasn't much advertising in the beginning. Sweetwater Valley Farms didn't have any competition and it had a unique product, so they let the product work for itself. Most advertising was done through word of mouth and still is. Sweetwater Valley Farms also makes extensive use of brochures, fliers, billboards, exhibits and sponsorship of special events. Promotion is done through tours, and the store and farm nostalgia do a lot of the marketing. Most people who come to the store enjoy hearing about the cows and watching the cheese being made. Having the windows from the store view into the cheese-making room was a good decision.

The sales strategy changes every year. “We are trying to get down to what we like to do, and what we don't like to do won't be so important.” Currently, they are trying to de-emphasize sales at the store, in an effort to advertise less but in more non-tangible markets.

Capitalization Process

“I've seen too many businesses go broke because they had to have sales, and they had too much work to do and no money to do it with. I stress margins and having a premium product to sale, and not as much work to make it go, so you can concentrate on making money.”

It is hard to get bankers on board with anything that is a nontraditional business; the farm was self-financed initially and a partnership existed until John bought the farm outright in 1992. His banker wasn't interested in financing in the beginning, saying it was too “risky.” Financial help

was available but backers always had a lot of restrictions that John didn't want. Farm Bureau wouldn't even insure the business at first.

There were many of roadblocks. There was a farm plan and a budget of a half-million dollars that could be sunk into the business. The farm financed the cheese plant and "...if it hadn't been for a couple of good years in the fluid milk market, I probably couldn't have done that...".

One pitfall John didn't envision was inventory. There wasn't an inventory plan, which proved to be a mistake; in fact, they showed a loss the first year because of it. This year they finally have enough inventory built up, but cheese making is a long, drawn-out process. The cash flow of grain and milk from the farm helped build the inventory. The farm's crop ground is custom-farmed to give John time to run the cheese plant. Because of the inventory problem that first year, they were late to incorporate their marketing plan, which also hurt them. All the record keeping is done by employees on the farm and in the cheese plant. Specialists with The University of Tennessee *Agricultural Development Center*, and the Quickbooks record-keeping software have helped the most in the area of bookkeeping and inventory control.

Regulatory Process

"The State has bent over backwards to have good working relations with me."

John has found that it is best to run processing plans by the State Department of Agriculture before you implement anything. The regulatory process has been rather easy for the cheese plant. John already had a milk permit and he kept the Department of Agriculture updated on all of the plans for the cheese plant. John reflects that the regulatory process was the smoothest part of planning for the business.

Business Growth Process

"I think any business should grow on what they got: if you don't, it takes away from your initial business and costs you more money. It hurts if you don't complement your original business."

John's goal is to double last year's profits. Early on it was discovered that they needed more variety in their cheese flavors, in addition to different sizes and types of packaging. At this time there are no plans for building additional retail sites but John is expanding his new products area. Originally, the plant was only going to produce cheddar, and now they have included gourmet flavors like Italian pesto, garlic, tomato herb, jalapeno, caraway, among others.

"There is a minimum size you have to obtain to be able to retail to other markets besides walk-in customers;" John says they have achieved that size. You have to decide after you reach your minimum "... what do we keep doing and what do we quit doing to squeeze a profit out of it...".

He found out the hard way that you have to achieve a minimum amount of production (pounds) to cover inventory and overhead to meet profit expectations. Employees are one of the key areas to success and growth for Sweetwater Valley Farms. They need the right help: help that can deal with the public.

**SWEETWATER VALLEY
FARM - Tennessee Cheddar**

BUSINESS BACKGROUND

- ▶ John and Celia Harrison
- ▶ Loudon County, Tennessee (Philadelphia)
- ▶ John: sixth-generation farmer and involvement in the dairy industry
- ▶ Celia: emergency-room physician and mother of five
- ▶ Goals: “maintain an economically-viable, modern dairy that is open to the public and produce the finest farmstead cheeses”

**SWEETWATER VALLEY
FARM - Tennessee Cheddar**

BUSINESS IDEA DISCOVERY

- ▶ Interested in maximizing fluid milk sales
- ▶ Ideal location for store
- ▶ No competition, great product
- ▶ Farmstead nostalgia works in their favor
- ▶ Had initial raw materials (cows and dairy)

“Land was deteriorating here; people were selling out and I wanted to stay. I had to think of some way to expand our operation, and adding more cows was not the answer.”

SWEETWATER VALLEY FARM - Tennessee Cheddar

MARKET DISCOVERY

- ▶ Great location, with lots of potential customers and no competition
- ▶ Early success by word-of-mouth publicity in the local community and UT efforts
- ▶ Developed a color brochure
- ▶ Met “Noon Day Chef” with Kroger
- ▶ Advertises through billboards, tours at the farm, and as a speaker for other organizations
- ▶ Showed a loss the first year of business
- ▶ Key hint: Do what you like to do in terms of merchandising

“The best thing that happened to us was to get in with Kroger, a large retail chain, and not have to worry about the \$5 and \$10 sale here at the store. However, we haven’t been aggressive enough in small stores and specialty shops.”

**SWEETWATER VALLEY
FARM - Tennessee Cheddar**

CAPITALIZATION PROCESS

- ▶ Self-financed cheese plant in the beginning
- ▶ Financial roadblocks for nontraditional businesses
- ▶ Budget of \$500,000 for business start-up
- ▶ Two years of good milk prices helped finance the cheese plant
- ▶ Pitfall . . . no inventory built up

“I've seen too many businesses go broke because they had to have sales, and they had too much work to do, and no money to do it with. I stress margins and having a premium product to sale, and not as much work to make it go, so you can concentrate on making money.”

**SWEETWATER VALLEY
FARM - Tennessee Cheddar**

REGULATORY PROCESS

- ▶ No regulatory problems
- ▶ State Department of Agriculture
- ▶ Key to success: “keep everyone updated on plans”

“The State has bent over backwards to have good working relations with me.”

**SWEETWATER VALLEY
FARM - Tennessee Cheddar**

BUSINESS GROWTH PROCESS

- ▶ Businesses should grow on what they've got
- ▶ Add more flavors and types of packaging
(weights and sizes)
- ▶ There is a minimum size to be competitive
in retail markets
- ▶ Keep overhead down and inventory up
- ▶ Have help that can deal with public
- ▶ Added new milking parlor milks more cows;
state-of-the-art equipment

“I think any business should grow on what they got: if you don't, it takes away from your initial business and costs you more money. It hurts if you don't complement your original business.”

WHITE'S OLD-FASHIONED APPLE BUTTER, INC.¹⁹

Steve White, President of White's Old-Fashioned Apple Butter, was interviewed on March 16, 2000, by Buddy Sanders, former Area Marketing Specialist with The University of Tennessee Agricultural Extension Service. The case-study report was coauthored by Buddy Sanders and Rob Holland²⁰. While operating from a motorized wheelchair, Steve is very upbeat and ready to discuss his value-added business with a wry sense of humor. He provided a very informative interview and offered to give more information if needed.

Business Idea Discovery Process

"Lying in bed for two months after being paralyzed gives a person plenty of time to think."

In 1977, Steve's father, Buddy White, started planting apple trees at their farm on Little Mountain in Hamblen County, Tennessee. The orchard was started as Buddy's retirement nest egg, and served its purpose well by producing high-quality fruit for many years. "Folks would drive all the way out to the farm to buy dad's apples; they had a good reputation," Steve said. Steve helped out in the orchard and watched his father market the crop each year. Little did they know that the orchard would someday be a critical element in the rehabilitation of Steve's self-confidence and livelihood.

"That Saturday morning started out like any other Saturday, but when the day was over, I was in the hospital with a spinal injury and a paralyzed body," Steve said. He had fallen from a ladder while repairing the mobile home that he and his new bride had purchased. "Lying in bed for two months after being paralyzed gives a person plenty of time to think," relates Steve. Until the accident, there had never been any discussion of a value-added business at the White's farm, but with Steve's paralysis, his mind started racing to identify a way to make a living.

Each fall, Steve's mother and a neighbor would get together and cook huge pots of apple butter. "Some folks preferred the apple butter to the fresh apples," so they began to sell some of it in addition to what they made for gifts. "Like most every other East Tennessee family with apples,

¹⁹ Steve White is the owner/operator of White's Old-Fashioned Apple Butter. The company's name is White's Old-Fashioned Apple Butter while the trade name on their label is Tennessee Little Mountain. The business name and trade name may be used interchangeably in this report. The business is a family operation that includes a multi-fruit orchard, on-farm processing facility and a variety of marketing ventures for the value-added products. The farm and processing facility are located in the Little Mountain community near Russellville, Tennessee, about 12 miles northeast of Morristown at 1240 Little Mountain Road, Russellville, Tennessee 37860. Steve can be contacted at (423) 586-6690, or 1-800-4478-6346.

²⁰ Buddy Sanders is a former Area Marketing Specialist with Extension's Smoky Mountain District, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

we have a special, secret formula for our apple butter,” Steve said. He decided that apple butter was a way to add value to their apple crop, while extending the season for marketing their products to year-round. They also produced a variety of jams, jellies and preserves.

Steve visited similar operations and studied information about the equipment that would be necessary to produce large batches; he also evaluated different floor plans for the building. The first batch of White’s “Little Mountain Apple Butter” was produced for commercial sale in 1993. “We had no problem selling every jar from that first batch,” Steve said.

Market Discovery Process

“Some of the marketing has been by trial and error. Calling on stores door-to-door has worked best, and we are always needing to get out and find new customers.”

People were already coming to the farm to buy apples, so the apple butter, jams, jellies and preserves were natural items to add. When the commercial kitchen facility was built, a produce sales room was also built. There is a window between the kitchen and the sales area, so customers can observe the fruit processing and packaging. On-farm sales represent only one marketing method for “Little Mountain’s” value-added products.

Steve relies heavily on sales through other retail stores. He has developed markets in Tennessee’s high-tourism area of Gatlinburg and Pigeon Forge, near the Great Smoky Mountains. Steve developed these markets by loading up products and calling on stores door-to-door in the tourist areas. Annual sales to the retail shops increased by 25 percent in the first two years, and 10 to 20 percent in later years; sales have remained constant in the last two years. The lack of continued sales growth to the tourist shops is attributed to the fact that Steve has had to spend more time assisting his mother with the management of the orchard since his father’s death, rather than making the door-to-door sales calls.

Steve has had little success selling his value-added products through the Internet; however, they continue to have a Web site for the business. They have experienced mixed success with a variety of other marketing channels: “We have tried the Home Shopping Network twice, sales were pretty good the first time, but they ran our products about 3:00 a.m. the second time and we lost on that deal.” Steve has featured his products by renting a kiosk at the local shopping mall during one Christmas season: sales were decent and they will likely try that channel again.

A toll-free telephone number is printed on the product label and on other promotional tools to make repeat orders easy to place. Steve also ships products to retail stores in the Nashville airport. “Little Mountain” products are also available at The Opryland Hotel in Nashville as a part of their “Taste of Tennessee” product line.

At the present, the “Little Mountain” product line is quite diverse. Fifteen different value-added

fruit products are available with the “Little Mountain” label, including peach, apple, strawberry, cherry, apricot and plum flavors of jams, jellies and preserves. Steve also does custom processing of specialty items for other entrepreneurs. Glass containers are a major expense, so Steve buys large volumes of jars (up to a trailer-truckload) and sells containers to other canners. The price of jars varies significantly with the quantity ordered, so buying large volumes helps to lower Steve’s container cost.

The “Little Mountain” products are designed to target specific consumers. They use colorful labels that portray a down-home Appalachian-heritage image. A paper cover is placed on the top of each jar to cover the lid, and a hangtag is tied to each jar to provide additional information about the product and the business. Steve is certain that the attractive container and the quality product have contributed to their sales success.

Capitalization Process

“Government agencies were more than willing to help me, but at times I would get caught in the bureaucracy and red tape of two or more agencies. I had to have a written plan.”

Because of his physical condition, several government agencies were willing to assist in the capitalization of his value-added business. However, Steve describes the position of trying to finalize funding and equipment acquisition with the help of outside agencies like a kid trying to get approval from two parents. “One parent says, ‘it’s alright with me if it is alright with the other’ . . . and the other parent says ‘it’s alright with me if it is all right with the other.’”

Steve applied for assistance from the state Vocational Rehabilitation Agency (VRA) to buy equipment, and applied for a loan from the Small Business Administration (SBA). After a lot of paperwork and red tape, he was able to obtain both requests. A business plan was required by all of the agencies, so Steve worked with the Small Business Development Center (SBDC) at nearby Walters State Community College to develop a comprehensive business plan. “It took two years to get everything finished . . . and then get started, if you know what I mean,” Steve said.

Regulatory Process

“They do require a different sink to wash everything in. Since we are in the county, the Tennessee Department of Agriculture Regulatory Services Division, rather than a health department, worked with us.”

The Regulatory Services Division of the Tennessee Department of Agriculture approved all of the plans for the building, kitchen and processing/packaging equipment. In essence, the building and equipment had to meet federal “Good Manufacturing Practices.” A few examples of GMP specifications include a three-compartment sink to wash and sanitize the processing equipment, a

separate sink for hand washing and another sink for mopping. “They almost required a different sink to wash everything in.” They require that the walls and floors be built in a method and from materials that can be completely washed and sanitized. Unannounced inspections are made periodically. Steve indicates that “the regulatory personnel have always been very helpful and accommodating. All rules are strictly followed and we have not had any problems.” The regulatory services also specify label requirements, such as contents and nutrition facts.

One of the biggest problems that Steve has encountered in the development of the value-added business and the construction of the commercial kitchen, is getting three-phase electricity run to the farm. When they needed to expand their storage capacity, Steve bought a large cooler at a very reasonable price from a closing grocery store; however, the cooler’s compressor required three-phase electricity, and only single-phase service is available at the farm. The costs to extend three-phase power to the farm are enormous and prohibitive; a reasonable price to extend three-phase power to the farm has not been negotiated with the electric provider. Fortunately, the walk-in refrigerator has proven to be worth its cost as a storage area, even without the compressor.

Business Growth Process

“The business has really taken off well. It has taken a lot of work and a lot of trial and error though.”

As White’s “Little Mountain” orchard products have developed during the past 10 years, Steve White has encountered many challenges, obstacles and opportunities. He managed to:

- ▶ get a commercial processing kitchen built to state specifications
- ▶ upscale the family apple butter recipe for mass production
- ▶ maintain product stability and superior quality
- ▶ develop 15 different products
- ▶ establish and maintain viable markets
- ▶ take on some custom processing for other entrepreneurs

The process didn’t develop as easy as it may sound though. The Small Business Development Center helped write the business plan, and the VRA and the SBA provided funding. The recipe took lots of trial and error to perfect and required assistance from a food science specialist from The University of Tennessee. Local printing and design folks created the label and marketing tools. Brokers, trade shows, Internet sales and home shopping features have been used for marketing. Endless door-to-door sales calls have been made and a farm festival has been conducted.

White's Old-Fashioned Apple Butter

Business Background

- ▶ Steve White
- ▶ Hamblen County, Tennessee
- ▶ Family apple orchard and value-added fruit products - - “Little Mountain Apple Butter”
- ▶ Eight years of producing and marketing value-added fruit products in commercial kitchen
- ▶ Very diverse product line and marketing channels

“Lying in bed for two months after being paralyzed gives a person plenty of time to think.”

White's Old-Fashioned Apple Butter

Business Idea Discovery Process

- ▶ Life-changing accident can cause change in lifestyle and long-term plans
- ▶ Decided on apple butter as the beginning of a value-added product for the orchard
- ▶ Visited similar operations
- ▶ Built commercial kitchen facility and upscaled family apple butter recipe for mass production

“Some of the marketing has been by trial and error. Calling on stores door-to-door has worked best, and we are always needing to get out and find new customers.”

White's Old-Fashioned Apple Butter

Market Discovery Process

- ▶ Started with on-farm retail sales
- ▶ Wholesale to retail shops via door-to-door sales calls - - primarily in tourist areas
- ▶ Marketing features include shipment to stores across the state, mail-orders, toll-free order number, brochures and a Web site
- ▶ Product label features down-home, Appalachian-heritage image

White's Old-Fashioned Apple Butter

Capitalization Process

- ▶ A lot of red tape encountered and paperwork required
- ▶ A business plan was needed
- ▶ Lots of assistance from SBA, SBDC, VRA
- ▶ Total start-up phase took about two years

“Government agencies were more than willing to help me, but at times I would get caught in the bureaucracy and red tape of two or more agencies. I had to have a written plan.”

White's Old-Fashioned Apple Butter

Regulatory Process

- ▶ Strict regulations for facilities/ equipment
- ▶ Federal GMPs had to be followed in construction and operation
- ▶ Regulators were very helpful
- ▶ Good to have regulators involved in the early planning
- ▶ Getting three-phase power to the farm is expensive - - almost impossible

“They do require a different sink to wash everything in. Since we are in the county, the Tennessee Department of Agriculture Regulatory Services Division, rather than a health department, worked with us.”

White's Old-Fashioned Apple Butter

Business Growth Process

- ▶ Diverse product line
- ▶ Endless door-to-door sales calls on retail stores
- ▶ Developing marketing channels requires trial and error, commitment
- ▶ Continual efforts for top-quality products
- ▶ Consistency between product image and targeted market

“The business has really taken off well. It has taken a lot of work and a lot of trial and error though.”

BILLY G'S CATFISH FARM²¹

A personal interview was conducted with Mr. Bill Galbraith (*Billy G*) on October 31, 2000, by *Agricultural Development Center* subcontractor Deborah Scarlett. The case-study report was coauthored by Deborah Scarlett and Rob Holland²².

Billy G's Catfish Farm is located outside of Rogersville, Tennessee, off Highway 70 south and down the nearest gravel road. Billy G's farm is nestled in a valley and surrounded by mountains — it is a quiet and serene place; not where you would expect to find a retired federal agent and past marketing director (security advisor) for the Sands Casino in Nevada. However, Billy G is just that, and he loves his catfish farm and plans to expand the operation and develop a resort-area in the near future.

The farm consists of 12 ponds on 210 acres where picnic tables are scattered about. A small, roofed deck with open sides is available for entertainment purposes, with decorative lights hanging from the shelter for evening parties. The atmosphere of the farm is as warm and welcoming as the owner.

Business Idea Discovery Process

“My brother told me ... ‘to be content I'd have to pull my suit and tie off and get back to the farm...’ but I know that to make some money you have to run a simple business; in other words, no overhead.”

Billy G's first idea was to turn his acreage into an onion farm. After extensive research, soil tests and meetings with conservationist and Extension agents, Billy G realized his land was not capable of serving as crop land. That is when his interest turned to catfish farming: that and knowledge of his brother's success with catfish farming in California.

Billy G has a M.B.A. degree and has spent thousands of hours researching catfish farming. He credits his former background as a criminal investigator and director of marketing for a large

²¹ The catfish farm owned and operated by Mr. Bill Galbraith near Rogersville, Tennessee, seems to go by many names. The operation may be referred to as Hidden Valley Farm, Billy G's Catfish, Mr. G's, Billy Ghee's or Billy G's. Despite the potential confusion with so many different names, the operation seems to be well-known in the community and region. Mr. Galbraith may be contacted at 228 Hawkins Street, Rogersville, Tennessee 37857 or by calling (423) 272-9240.

²² Deborah Scarlett is a freelance writer working under independent contract with the *Agricultural Development Center*, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

industry as part of the reason he is successful with research. He knew where to look and had contacts; however, that doesn't mean the entire process was smooth sailing. There were obstacles in the idea process. "Na-sayers" is what he calls them: the name came off the streets meaning "those who say you can't."

Billy G calls his business a "pocket business," largely because his methods of stocking or raising fish are nontraditional. The fish are stocked together in the same ponds: in other words, they are not separated by type. The type of fish stocked are fathead minnows, goldfish, catfish, broodfish, giant tadpoles and bluegill. Each pond is stocked with 20,000 catfish and about 5,000 goldfish; the minnows and others are put in by the pound. Most of the money is made on goldfish, as they are easy to care for and grow fast. Billy G holds to the business philosophy of keeping things simple and overhead down. He is the one and only full-time employee.

Market Discovery

"I like to use the word 'product-mix' when referring to walk-in customers. It goes back to being in the Commerce Department; they will dissipate that information all over the world, free of charge."

The fish are marketed in Alabama, Kentucky, Washington D.C., and in North and South Carolina. The key to a successful marketing plan is possessing the ability to understand global markets and bringing the right chemistry to a marketing plan. In addition to having an extensive marketing plan, Billy G started the fish farm with a 15-year market growth plan. He also used information from his past businesses and life associations to help him with market research. Plans to convert the fish farm into a resort are about 10-years old; that gives you an example of how extensive he thinks a marketing plan should be. Persistence is his answer to doing research and marketing plans well.

Billy G's advertising methods include:

- ▶ Giving scholarships to schools
- ▶ Inviting the public to parties on the farm
- ▶ A yearly fish fry for senior adults
- ▶ Hosting a yearly fishing tournament for the underprivileged
- ▶ Serving as a representative of the Tennessee Aquaculture Association at tailgate parties promoted by The University of Tennessee Institute of Agricultural for several years (free publicity)

Capitalization Process

“I put in 16- to 18-hour days, thinking of better ways to do things and how to do it myself because of my lack of funds. Aquaculture is expensive, but it is also one of the most profitable businesses to go into, if done right.”

Billy G self-financed his fish farm, with some help from family members. The land needed to be purchased and, of course, the ponds had to be built and the fish stocked. Billy G received assistance in the development of a business plan from The University of Tennessee Agricultural Extension Service’s MANAGE program, and from Extension’s aquaculture specialist. Billy G suggests that everyone in a business not only have a bookkeeper, but a certified public accountant. He feels they do a much better job of keeping you up-to-date with new laws, and bookkeeping is crucial to the success of a business.

When the business became more established and showed money on the books, Billy G approached a financial institution. Billy G realized that working with a lender on an aquaculture enterprise is a two-way street involving communication and education. The lender has to have trust in the grower because it is difficult to see a \$200,000 inventory at the bottom of a pond.

Regulatory Process

“Check with the people that are going to be making the decisions. Give them the respect of checking with them so you don't have any bottlenecks. Get their blessing; get a commitment from them and get it in writing.”

There were no regulations in 1989 when the farm started; today, TWRA (Tennessee Wildlife Resource Agency) requires a license. And since the farm does not process fish, it doesn't collect tax. Billy G has an attorney but has never been confronted about any regulatory processes.

Business Growth Plan

“How greedy do you want to be? You can't grow as many as you could sell: everything would grow but quality goes down. If you have the water and you understand the business, you have all the growth you need.”

There are a lot of markets that haven't been penetrated, but the business needs to remain simple. Billy G wants to do more fish consulting and continue planning his resort. Four more ponds will be added next year; however, his growth is about 30 to 40 percent a year and that's all he can handle. “Working smarter, not harder” is his motto. Billy G also readily admits that for growth to happen in any business, you have to have a plan: “If you don't have a plan, you're going to be the victim of someone else's.”

BILLY G'S CATFISH FARM

BUSINESS BACKGROUND

- ▶ Billy Galbraith
- ▶ Hawkins County, Tennessee (Rogersville)
- ▶ Vertically-integrated aquaculture operation
- ▶ Retired federal agent; former director of marketing and security; M.B.A. degree
- ▶ 210 acres, 12 ponds, one hired employee

BILLY G'S CATFISH FARM

BUSINESS IDEA DISCOVERY

- ▶ Interested in constructing and developing a resort area
- ▶ Ideal location for hunting or fishing lodge
- ▶ Customer base already identified (fishermen, hunters, nature lovers); excellent marketing contacts
- ▶ Catfish farm has a well-stocked inventory and simple overhead expenses
- ▶ Expansion of four ponds

“My brother told me ‘... to be content I’d have to pull my suit and tie off and get back to the farm...’ but I know that to make some money you have to run a simple business; in other words, no overhead.”

BILLY G'S CATFISH FARM

MARKET DISCOVERY PROCESS

- ▶ Market saturation and establishment
- ▶ Great community, state-wide support and reputation through word of mouth
- ▶ No pamphlets or brochures
- ▶ Gives community support through tournaments and scholarship grants
- ▶ Most publicity early on through UT
- ▶ Fishing rates very competitive

“I like to use the word ‘product-mix’ when referring to walk-in customers. It goes back to being in the Commerce Department; they will dissipate that information all over the world, free of charge.”

BILLY G'S CATFISH FARM

CAPITALIZATION PROCESS

- ▶ Sought no outside funding
- ▶ Family members helped finance land
- ▶ Got help from a financial institution after the business was established
- ▶ Once inventory was established and ponds built, there was little overhead expense
- ▶ Relatively expensive to start up

“I put in 16- to 18-hour days, thinking of better ways to do things and how to do it myself because of my lack of funds. Aquaculture is expensive, but it is also one of the most profitable businesses to go into, if done right.”

BILLY G'S CATFISH FARM

REGULATORY PROCESS

- ▶ No regulations in 1989 (start of business)
- ▶ Tennessee Wildlife Resource Agency (TWRA)
- ▶ No regulatory problems
- ▶ Early communication is key to success with regulatory process

“Check with the people that are going to be making the decisions. Give them the respect of checking with them so you don't have any bottlenecking. Get their blessing; get a commitment from them and get it in writing.”

BILLY G'S CATFISH FARM

BUSINESS GROWTH PROCESS

- ▶ Strong sales created the need for more ponds
- ▶ Has the ability to penetrate more markets
- ▶ Wants business to remain simple
- ▶ Currently doing research for a resort
- ▶ Wants to remain the only employee

“How greedy do you want to be? You can't grow as many as you could sell: everything would grow but quality goes down. If you have the water and you understand the business, you have all the growth you need.”

YOUNG'S FURNITURE²³

A personal interview was conducted with Mr. Bill Young, owner of Young's Furniture Manufacturing Company, on November 1, 2000. The interview was conducted by *Agricultural Development Center* subcontractor Deborah Scarlett, and was held at the manufacturing facility in Whitesburg, Tennessee, about 6 miles northeast of Morristown, in Hamblen County. The case-study report was coauthored by Deborah Scarlett and Rob Holland.²⁴

Bill Young is an energetic individual who is obviously very proud of his business—it shows in nearly every aspect of his life. The business is family-run: Bill's two sons oversee the lumber yard and plant management, his wife keeps the books, and Bill is the idea man. Bill likes to give everything he does 100 percent: even his hobbies (antique tractors and cars) are done with such zest that the average person would hardly describe them as relaxing. Bill keeps a perpetually neat farm and furniture company, with everything in its place. The multi-faceted furniture company has transformed since its early days as a side venture to the farming operation. Now, some 30 years later, with more than 125 employees and state-of-the-art technology, Bill Young's value-added wood-products business manufactures a variety of furniture parts and provides some custom dry-kiln operations.

Business Idea Discovery Process

“Ninety percent of people who start a business fail; only 3 percent are successful. That made me determined. The smartest thing I've ever done in business is to surround myself with smart people.”

The furniture company is located in reasonable distance of the Smokey Mountains on 400 acres of prime, regional cropland, partially surrounded by other farms. Over the years, Bill has purchased much of the farmland that surrounds his expanding business. The furniture company shares the acreage with a cow/calf cattle operation consisting of about 80 head. Bill manages the cattle operation himself for relaxation.

Before starting his own business, Bill worked in management at the Phillips Magnavox Company,

²³ Young's Furniture Manufacturing might be described as a farm enterprise that became an out-of-control success. The business employs more than 100 workers in the rural Appalachian area of East Tennessee. The facility is located at 1701 Needmore Road, Whitesburg, Tennessee 37891 and can be contacted at (423) 235-6548 or Fax number 423-235-4671.

²⁴ Deborah Scarlett is a freelance writer working under independent contract with the *Agricultural Development Center*, and Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*.

manufacturer of wood cabinets for speakers and televisions. While employed by Phillips, Bill began to collect and repair antique furniture as a way to furnish his new home on a very limited budget. Bill's furniture hobby eventually grew into a full-fledged business. Bill started by manufacturing some component parts for a few of the upholstered furniture companies in the area. The parts he manufactured were well received by the industry and eventually a business began to grow out of his hobby. For about two years, Bill continued to work at his full-time job during the day and operate his own business at night. Eventually the demands on his time forced him to make a decision between his dream of owning his own business and continuing to work in a steady job. The choice was a very hard one, because at that time Bill had two young children and his wife to support

During his time at Phillips, Bill took some business courses at nearby Carson-Newman College and studied the availability of raw lumber in the area. He also researched the market demand and availability for the products that he intended to produce. Bill found that his local area had excellent access to high-quality lumber and also boasted a fairly large number of furniture manufacturers. There were also very few companies that concentrated on the types of products that Bill wanted to produce. In total, Bill spent approximately one year in the research phase.

Market Discovery Process

“Something I demand, and is unique about this company, is that we basically have no sales force. I am the sales person. We rely heavily on word of mouth and I've had a 5 to 8 percent increase in sales each year.”

Young's furniture company makes wood parts ranging from small wood trim to completed occasional tables. The company processes locally-purchased, high-grade lumber. Their prices remain very competitive because Young's Furniture is involved in much of the production process. They begin the process by kiln drying locally-purchased lumber and complete the process by applying a lacquer finish to their machined parts. The marketing strategy for Young's Furniture has always been to exceed the customer's expectations. Bill talks to people from other companies and does a great deal of traveling as he networks in the industry, watching what others are producing to satisfy needs; attending furniture market show-houses; and going directly to stores talking to potential customers. While these tasks are time consuming, he insists on doing it himself: that way he is assured of the details. Being able to focus his attention to ensure these details are addressed and deadlines are met is the reason why the business has virtually the same customer base today that it did 25 years ago. Some of the company's most important, first customers were Bean Station Furniture and other upholstery companies in Highpoint, North Carolina.

Advertising for Young's Furniture is primarily accomplished by word of mouth within the industry. Young's Furniture also belongs to the Wood Component Manufacturers Association and has a full-color brochure that is used in presentations to potential customers.

Capitalization Process

“My philosophy in banking is also my banker’s: don’t ever let yourself be in debt over 50 percent of what your worth.”

The development of a good working relationship with his first banker greatly aided Bill in starting the wood products business. The banker actually helped Bill to formulate a sound financial plan for his first years in business. As with most start-up companies, personal assets were used to begin the business. Because Bill started his company while still working at his full-time job, all of business profits were reinvested in the business. After his company was better established, Bill was able to obtain commercial financing to construct the first phase of the existing manufacturing facility. “Professional people are needed to do professional things.” For example, Bill thinks it is wise to hire a certified public accountant and a lawyer because they keep up-to-date on new laws and cut down on mistakes. But, he insists a good bookkeeper is still needed.

Regulatory Process

“We saved money by contacting people before we started the business. If you ask questions first, they are going to be more lenient on you if anything goes wrong than if you try to hide it or ask after the fact.”

The Environmental Protection Agency and Occupational Safety and Health Administration are the two main governmental bodies which monitor the processes and working environment at Young’s Furniture Company. Bill tries to take a pro-active approach with these agencies. He tries to make sure that everything that takes place within the company is strictly to the letter of the law. Bill finds that business is easier if you are forthcoming and work with these agencies than if you try to circumvent their rules and policies.

The local Chamber of Commerce was helpful before the business started: they gave him the names and numbers of companies to contact when starting a business. The Human Resource Center at Walters State Community College was also utilized as an information source. Young’s Furniture computer “guru” runs the master computer for all the machinery and is a student at nearby Walters State Community College. Legal counsel plays a vital role with this business, before and after it was established.

Business Growth

“Size was very important. I wouldn’t have grown if I hadn’t needed to grow with the customers. Basically, the customers I started with are the ones I have now.”

Young's Furniture Company was originally started in a small shack located below Bill Young's current home. In 1972 the business moved from the shack to a small 3,200 square-foot block building. From the block building the business has grown into a modern 195,000 square-foot production facility. Company sales doubled every year for the first eight years and Bill attributes the growth to an excellent employee base and good working relationship with his bankers. The company continues to invest in the best technology available to maintain their competitive edge. Bill remains dedicated to providing his customers with the best product they can obtain anywhere at any price.

Young's Furniture

BUSINESS BACKGROUND

- ▶ Bill Young and family (wife and two sons)
- ▶ Hamblen County, Tennessee (Whitesburg)
- ▶ Manufacturing of wood component parts
- ▶ Established company from scratch . . .
today, more than 25-years experience in
the furniture industry
- ▶ State-of-the-art machinery
- ▶ Invests in extreme customer satisfaction
and reliant on customer loyalty
- ▶ 130 employees

Young's Furniture

BUSINESS IDEA DISCOVERY

- ▶ Started as a hobby that grew into a business
- ▶ Prime location for raw materials and good customer base
- ▶ Spent one year researching the idea
- ▶ Family-owned and operated
- ▶ First eight years of business, sales doubled each year

“Ninety percent of people who start a business fail; only 3 percent are successful. That made me determined. The smartest thing I’ve ever done in business is to surround myself with smart people.”

Young's Furniture

MARKET DISCOVERY PROCESS

- ▶ Identified as a great location for import and export of raw materials
- ▶ Bill is the primary sales force
- ▶ Early success by word of mouth and traveling to customers' markets
- ▶ Developed color pamphlet
- ▶ Use Chamber of Commerce and Walters State Community College as marketing resources
- ▶ Tailor products to customers' specifications

“Something I demand, and is unique about this company, is we have no sales force. I am the sales person. We rely heavily on word of mouth and I've had a 5 to 8 percent increase in sales each year.”

Young's Furniture

CAPITALIZATION PROCESS

- ▶ Sought no outside start-up funds
- ▶ Funded through part-time hobby of refinishing antiques
- ▶ Relationship with banker very important
- ▶ Now serves on Board of Trustees at bank
- ▶ Important to have professional CPA
- ▶ Key to success: accurate business records
- ▶ Important to have legal representation

“My philosophy in banking is also my banker’s: don’t ever let yourself be in debt over 50 percent of what your worth.”

Young's Furniture

REGULATORY PROCESS

- ▶ Chamber of Commerce helped find contacts for new business setup
- ▶ EPA and OSHA are the main rule- makers
- ▶ No real regulatory problems
- ▶ State-of-the-art machinery

“We saved money by contacting people before we started the business. If you ask questions first, they are going to be more lenient on you if anything goes wrong than if you try to hide it or ask after the fact.”

Young's Furniture

BUSINESS GROWTH PROCESS

- ▶ Started with 3,200 square feet; now has 195,000 square feet
- ▶ Capacity to store green lumber and process with own machines
- ▶ State-of-the-art dry kilns and radio-frequency glue press
- ▶ Commitment to details and deadlines

“Size was very important. I wouldn’t have grown if I hadn’t needed to grow with the customers. Basically, the customers I started with are the ones I have now.”

BEE CLIFF CABINS²⁵

John and Norine Allen agreed to an on-site personal interview by Rob Holland and Buddy Sanders regarding their value-added farm enterprise, agri-tourism through cabin rentals. With the assistance of county Extension agent Keith Hart, the interview was conducted on March 7, 2000. The enterprise is still relatively new, as the family continues to add cabins. John and Norine are full of excitement and optimism about the project. The case-study report was coauthored by Rob Holland and Buddy Sanders.²⁶

Business Idea Discovery Process

“I used to be so amazed when I’d drive up this road and see all the out-of-town and out-of-state licence plates of cars crammed alongside the road. They come from all over to fish, hunt and hike along the river and around the lake.”

Several years ago, John and Norine purchased 23 acres of land, about three miles away from their dairy farm. The lower end of the lot is adjacent to a bluff overlooking the Watauga River, about one mile down stream from Wilbur Dam and about three miles downstream from Watauga Dam. There was an old, dilapidated barn next to the river and in the curve of the main road to the dams. The barn lot offered very little use to the dairy operation, so John and Norine began tearing down the barn. While they were tearing it down, a passing neighbor asked if they were tearing the barn down so they could put in some cabins for all the fishermen.

On the way back to the dairy, John noticed an exceptionally large number of out-of-state cars parked next to the river. With very few overnight accommodations in the nearest town and no modern facilities near the dams, John and Norine began to consider the neighbor’s question about cabins. They started looking at other cabins, located a source for lumber, and studied floor plans. Ray, John’s brother-in-law, looked at a few of John’s plans and confirmed that construction was indeed feasible. Understanding the importance of cabin details, John obtained rough-cut lumber from a nearby sawmill and Ray built attractive, functional and space-efficient cabins. The cabins were designed to sleep a total of six people (one bedroom, loft and sleeper futon). Each cabin is decorated with either a hunting or fishing theme.

²⁵ Bee Cliff Cabins is owned and operated by John and Norine Allen. John has been in the family dairy business for over 30 years, and took over the 162-cow milking operation five years ago. Norine is a retired kindergarten school teacher of 31 years and has a Mary Kay Cosmetics business. Additional information may be obtained by contacting the John and Norine at 423-542-6033 or at <http://www.beecliffcabins.com>.

²⁶ Rob Holland is an Assistant Extension Specialist with the *Agricultural Development Center*, and Buddy Sanders is an Area Marketing Specialist with Extension’s Smoky Mountain District.

Market Discovery Process

“Despite all the print and electronic advertisements, word-of-mouth has contributed more to our business than anything else.”

John and Norine have lived along the river all their lives and have watched the number of out-of-town hunters and fishermen dramatically increase in recent years. The Watauga River is considered a “trophy stream” and is well-stocked by the Tennessee Wildlife Resource Agency. In addition to being located on the banks of the Watauga River, the Allens’ farm is located within one mile of the Cherokee National Forest and within three miles of the Appalachian Trail. The cabins are also located within two miles of two different rafting businesses.

John and Norine joined the local Chamber of Commerce and had the business listed in the Chamber’s directories. They also joined the Northeast Tennessee Tourism Association. Norine had some color fliers (single-sided, 8.5 inches by 3.5 inches) printed to promote the cabins, while the flier provides outside and inside photographs of the cabins, and another photograph of the river and private fishing ramp. They held an “open house” on a Sunday afternoon and were planning for 40 people. The local newspaper did a feature story on Bee Cliff Cabins in the Sunday edition and more than 120 people attended the open house. (A feature article has also been printed by a metro newspaper in a neighboring county.) Fliers have been placed at the Chamber of Commerce headquarters, the local airport, the tourism association, neighboring rafting companies and inside the cabins. A Web site has been developed for Bee Cliff Cabins at <http://www.beecliffcabins.com>.

Word-of-mouth publicity in the local community has provided the most success. A sign at the corner of the cabin lot, the main road and the river simply states “Bee Cliff Cabins” and the phone number. More business has been generated from folks who just “knew the cabins were there” than those who said “I saw one of your fliers.”

The cabin rentals are priced very competitive with traditional hotel rates—\$75 per night or \$140 for a two-night stay. Weekly packages are available at a rate of seven nights for the price of six nights. Rates do increase (by as much as a 100 percent) during peak-demand weekends.

Capitalization Process

“You’re standing on the front porch of my retirement money from 31 years of teaching.”

Norine’s retirement money was used to finance the construction of the cabins: no other funding sources were used or even consulted. Most building materials came from a nearby sawmill, and labor was supplied by family and excess farm labor. No additional construction equipment or machinery was needed, and construction costs were kept low compared to turnkey construction

alternatives. A modest break-even analysis (a calculation of the expected annual occupancy times the estimated per-night cabin rental rate, less operating expenses) indicated that the cabins could be paid off in three years.

Regulatory Process

“We haven’t had any problems with regulations. We don’t handle food or animals, so we don’t have too many headaches. The County Health Department officials have been super cooperative and they are our only regulators at present.”

No zoning restrictions limited the business but a county motel tax is incurred at a rate of five percent. Sewage disposal from the cabins had to be approved by the County Health Department. Upon inspection, the land was deemed suitable for septic tanks, and Health Department standards did not restrict construction. In the beginning of operation, the business was exempt from a county business licence because their gross sales were less than the minimum fee threshold. As gross sales exceed \$3,000, a county business licence (\$20 per year) and county business tax (1/10 of 1 percent of gross sales) will be required.

Business Growth Process

“We jumped in this plumb blind, just like we do most everything else. Only difference in this and our other ideas, looks like this one’s going to work. Location is everything in this business and we’ve got a good location.”

John and Norine have identified December, and March through September, as their busiest occupancy seasons. Located within 20 miles of the Bristol Motor Speedway also contributes to full occupancy on two weekends per year—the Spring race in March or April and the Fall race in August. Demand for the first two cabins was strong early on, a third cabin was constructed soon thereafter. Modifications were made to the third cabin as a result of experiences with the first two. For example, a decorative wooden fence/railing was installed in the loft, ladder access to the loft was enlarged, and the sidewalk was changed from pea gravel to concrete.

All occupants are asked to complete a questionnaire regarding the accommodations. To date, all guests have indicated an interest in staying at Bee Cliff Cabins again. “Quietness,” “plenty of space” and “access to the river” are popular preferences of the customers.

The location has made all the difference in success and failure for this business. The cabins are located within five miles of a 13,000-person town, a trophy stream, two power-generating dams, the Appalachian Trail, the Cherokee National Forest and prime bear-hunting territory.

At a time when Tennessee dairy farmers face extreme variability in milk prices paid to the farm,

John and Norine Allen are actually excited: excited about the opportunities with their value-added, agritourism enterprise. Norine has been energetic while decorating and fully furnishing the cabins with linens, towels, cable TV, microwave, coffee maker, stove and refrigerator. “We supply everything but the food.” Norine chose older, unique furniture from their home, along with surplus furniture from their relatives. She accumulated many small items, like pictures and lamps, from yard sales. The cabin interiors all have a homey look decorated in fishing or hunting themes. After the cabins were completed, John built a dock on the bank of the river where people can fish or just sit and watch the river roll by.

Bee Cliff Cabins

Business Background

- ▶ John & Norine Allen
- ▶ Carter County, Tennessee
- ▶ Agri-tourism, rental cabins
- ▶ John: more than 30 years experience with the 170-cow family dairy business
- ▶ Norine: retired with 31 years kindergarten teaching experience; currently has a good Mary Kay Cosmetics® business
- ▶ Projected to break-even in three years

Bee Cliff Cabins

Business Idea Discovery Process

- ▶ Interested in diversifying farm operation
- ▶ Ideal location for agri-tourism, cabin rentals
- ▶ Many potential customers (out-of-town hunters, fishermen & hikers) and very little competition identified
- ▶ Initial construction costs were reasonable
- ▶ Three-year payback was possible

“I used to be so amazed when I’d drive up this road and see all these out-of-town and out-of-state licence plates of cars crammed alongside this road. They come from all over to fish, hunt and hike along this river and around the lake.”

Bee Cliff Cabins

Market Discovery Process

- ▶ Identified as a great location, with lots of potential customers and very little competition
- ▶ Early success by word-of-mouth publicity in the local community
- ▶ Developed fliers with color photos of the cabins for distribution
- ▶ Joined Chamber of Commerce and Tourism Association; held open house
- ▶ Feature articles in local press
- ▶ Rental rates competitive with hotel rates

“Despite all the print and electronic advertisements, word-of-mouth has contributed more to our business than anything else.”

Bee Cliff Cabins

Capitalization Process

- ▶ Sought no outside funds
- ▶ Funded entire start-up with Norine's retirement
- ▶ Approximately \$50,000 start-up cost
- ▶ Projected to break even on start-up costs in three years
- ▶ Requires very little operating cash and low variable costs in the early years

“You're standing on the front porch of my retirement money from 31 years of teaching.”

Bee Cliff Cabins

Regulatory Process

- ▶ Very few regulatory headaches
- ▶ Local health department is most important regulatory agency (very helpful and logical)
- ▶ Health department had to approve sewage system and will regulate overnight occupant standards
- ▶ Regulations have not been unreasonable; early communication was helpful

“We haven’t had any problems with regulations. We don’t handle food or animals, so we don’t have too many headaches. The County Health Department officials have been super cooperative and they are our only regulators at present.”

Bee Cliff Cabins

Business Growth Process

- ▶ Strong demand early on led to construction of an additional cabin
- ▶ Cabin guests are asked to complete a questionnaire and provide comments about the accommodations
- ▶ Modifications were made to the cabin blueprint as a result of experiences in the original cabins
- ▶ Location has made all the difference—not in a metro area but in a high tourism/travel area

“We jumped in this plumb blind, just like we do most everything else. Only difference in this and our other ideas, looks like this one’s going to work. Location is everything in this business and we’ve got a good location.”

Additional Resources

Selected graphics for each case-study business are presented in the following pages. These graphics are intended to supplement the case-study summary pages in training sessions and are available in color.