

“Getting a Bigger Slice of the Pie:
Adding Value to Tennessee Agriculture”

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Why A Bigger Slice of Pie?

Graph- Average Prices vs. Average Costs

Graph - Farm to Retail Price Spread

Graph - Farm Portion of Food Dollar

How Can We Get a Bigger
Slice of the Pie?

Adding Value

- ✓ Making it worth more to the consumer
- ✓ Increasing the economic value
- ✓ Doing more of the preparation for the consumer
- ✓ Increasing the consumer appeal for a commodity
- ✓ Dry it, pie it or put it in cider!
- ✓ Processing, Packaging and Marketing

Adding Value

- ▶ Not pumpkins Pumpkin Pie
- ▶ Not apples Apple Jelly
- ▶ Not farming Entertainment Farming
- ▶ Not corn Popcorn
- ▶ Not honey Honey Jelly
- ▶ Not cabbage SLAWSA
- ▶ Not livestock waste R-GROW

Value-Added Enterprises Should be Carefully Planned!

75% of all small business ventures fail
within the first year . . .
only 13% make it beyond the 5th year.

There are three rules of business
success . . .

Unfortunately,
no one knows what
they are!

Graph - production, financial,
marketing

Marketing - -

- ✂ Population
- ✂ Target Market
- ✂ Trends
- ✂ Packaging
- ✂ Distribution
- ✂ Pricing

Marketing Potential - -

- ⚙ Niche Markets
- ⚙ Gourmet, Organic, Local, Fresh
- ⚙ A good story!
- ⚙ Hand-made, new, natural
- ⚙ The gifts industry
- ⚙ “No limit to marketing ideas.”

Technical/Production - -

- How does it taste?
- Is it safe?
- Does it meet regulations?
- Can it be mass produced?
- Is it shelf-stable?
- Labeling?

Financial - -

- Start-up costs
- Operating costs
- Variable costs
- Regulations
- Labor
- Distribution
- Mark-ups
- Break-even

Start-Up Costs:

Commercial Kitchen \$60,000

Other Start-Up Costs \$20,000

Total \$80,000

Annual Operating Costs (including annualized start-up)
..... \$150,000

Variable Costs Per Unit \$1.50

Sales Price Per Unit \$3.00

How many units must be sold to break even?

$$\$150,000$$
$$\div$$
$$(\$3.00 - \$1.50)$$
$$=$$
$$100,000$$

units needed to break even

A bigger slice of the pie will involve more than just production.

-  Quality is everything.
-  Image is more than that.
-  Cost of Production
-  Marketing - Marketing - Marketing

To compete, new food products must satisfy consumer demand!

1,698 new food products hit the market in July!

Just because others are doing it
doesn't mean it can be done
again—at a profit.

“Build it and they will come!

— but will enough of them come?”

Who got a bigger slice of pie?

☺ SLAWSA

☺ Honey Jelly

☺ R-GROW

☺ Hillcrest Orchards

Value-Added Wisdom:

-  “75% of small businesses fail.”
 -  “You must know your market/consumer.”
 -  “What does it take to break-even?”
 -  “Plan to diversify.”
 -  “Understand economies of scale.”
 -  “Think entrepreneurial.”
-  (Marketing, Production, Financial)