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## Progress Report - *Agricultural Development Center* The University of Tennessee Agricultural Extension Service

**“I feel good about our progress. Our procedures for evaluating and accepting projects seems to be working well. Our project completion time is reasonable - and that is due to the dedication and commitment that our faculty have toward making the Center’s vision a reality. Our vision is ‘to be recognized as an important resource that provides a valuable service for the agricultural sector of Tennessee’s economy.’ We welcome your comments, suggestions and support.”**

- - - - Ray Humberd

- ✓ **Project Update** - - Since July, seven ADC specialists have collaborated to complete six different in-depth studies of value-added agricultural ideas across the state. Projects have included value-added poultry wastes, commercial sod production, special-recipe hot sauce and salsa marketing and dairy, ostrich and free-range chicken marketing. Five other projects are currently on-going, four projects are under review and more than 30 project applications are still being completed by prospective applicants.
- ✓ **Web Page** - - The ADC is aggressively developing a web site to better deliver information concerning its programs and services. Information about the center, faculty and staff, project highlights and other resources can be obtained from the site. In addition, an “on-line” application form will allow interested applicants to complete and submit an application directly from their computer. The site is still under construction, but should be in full service by the end of October.
- ✓ **Publicity** - - The ADC was featured during a media event at the Appalachian Fair in Gray, Tennessee during August. Commissioner of Agriculture Dan Wheeler opened the news conference with details concerning the creation of the ADC as a result of recommendations from the 1995 Governor’s Council on Agriculture. Interviews were conducted with regional television stations by Commissioner Wheeler and representatives from the ADC. As part of the media event, a live interview showcasing the ADC was broadcast during the noon hour. In addition, the ADC and one of our projects, The Tennessee Ostrich Company, were featured during the UT Institute of Agriculture “AG DAY” in September. More than 300 ostrich meat samples were given out and many attendees stopped by to visit the ADC booth.
- ✓ **Survey of Master Gardeners** - - While the ADC is continually involved with obtaining existing information to assist in the evaluation of value-added projects, primary data is often essential to a thorough examination. In the evaluation of market preferences for livestock waste compost as a soil conditioner, ADC specialists recently developed, implemented and evaluated a survey of Master Gardeners in Nashville and Knoxville. The 35-question survey evaluated consumer preferences, attitudes, buying patterns and demographics. The results of the survey were instrumental in the development of recommendations for increasing the market potential and overall feasibility of one value-added project.



## **Below is a brief summary of project findings.**

**Poultry Compost:** The increased costs and regulations of livestock waste management have spurred interest in managing waste at low-cost levels, preferably at a profit. A compost product must be consistent, safe and satisfactory to the intended customer. Customers must be informed of the new product, its benefits and uses, and the product should be marketed through outlets frequented by target customers. Disease, health and odor concerns should be addressed and eliminated through the composting procedure. Use of the term “organic” and positioning the product as a fertilizer or soil conditioner should be approved and certified by the appropriate governing organization(s). Records should be maintained on a regular basis and laboratory analyses should be conducted to satisfy regulations, to ensure a quality and consistent product and to minimize the potential for public relation problems. The packaging used to deliver and promote the product must be carefully designed and purchased to satisfy both cost and marketing considerations.

**Hot Sauce:** The initial investigation of the local hot and spicy specialty sauce market reveals significant potential. There are more than 150,000 households in the preferred market area that possess demographic characteristics similar to those of the hot and spicy specialty sauce consumer. The primary market outlets for special recipe hot products are speciality and gourmet food shops, gift basket companies, trade shows and related events, the Internet, direct mail and specialty food brokers. A relatively new company offering new products should concentrate on informing customers that its products exist, while building name recognition and both company and product images. Marketing resources should be focused on developing promotional materials, exhibiting at a few select trade shows or related events, calling on regional speciality and gourmet food stores and getting products listed in mail order catalogs.

**Commercial Sod:** The housing industry, golf courses, recreation areas, road construction and athletic fields are the primary users of commercial sod. Current and projected economic and population growth in the market area have created a strong outlook for commercial sod. However, the market for commercial sod is not guaranteed, and the demand for turfgrass sod is often seasonal. Start-up equipment costs for a small operation will be around \$200,000. Annual debt servicing of start-up costs can exceed \$45,000 per year and annual per-acre operating expenses are estimated at approximately \$2,583, while the per-acre gross revenue projections are around \$4,900. The cash flow and profit potential for a small commercial turfgrass sod operation appear good as well. While the estimated net return per acre, cash flow and profit potential make a small commercial sod operation an attractive alternative farm enterprise, the labor requirements, market structure, investment & environmental risks and managerial requirements must not be overlooked.

**Free-Range Chicken:** “Free-range” chickens appear to be a growing interest of folks seeking alternative farm enterprises. More efficient production systems have recently been developed to streamline the free-range production process. However, processing constraints and marketing challenges seem to characterize the enterprise as a “small-farm” opportunity rather than a significant contributor to larger farm financial success. The custom processing of free-range chickens is technically infeasible because no existing processor in the defined region will consider processing any outside birds. USDA poultry-processing regulations include an exemption from USDA inspections for operations of up to 20,000 farm-raised birds that are processed on the farm and then sold directly to consumers. However, the profit potential from such a small enterprise may not measure up to the levels desired.

**Farm-fresh Dairy Products:** The on-farm processing and marketing of milk and milk products is a segment of the dairy industry that has recently received significant consideration by farm families. However, consumer demand for these niche products appears to be fairly small and segmented. Little evidence exists to support an expectation of high-volume sales at prices outside prevailing milk and related product prices. The problem of fairly small expected sales is further compounded by the extremely large costs associated with processing equipment. Start-up and operating costs must be spread over the expected sales volume.

**Ostrich Marketing:** Consumer food preferences have experienced significant change during recent years. As a result, consumers are now more likely to choose food products based on taste than on health claims or benefits. Consumers are also becoming more adventurous by trying more flavorful, fresh, ethnic and regional foods. Agricultural products possessing these new consumer preferences, positioned as such, should compete well in the marketplace. However, an investment in consumer education may be warranted for products for which little consumer experience exists. Targeting a significant number of appropriate outlets will also be a critical factor of success and consideration should therefore be given to the most effective and efficient marketing/promotion campaigns.