



Agricultural Extension Service
The University of Tennessee 

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"Increasing the value of Tennessee's economy through new, expanded and improved processing and marketing of agricultural, aquacultural and forestry products as well as home-based industries"

Progress Report 25

July 2004

Second Quarter Update on Outreach Efforts –

During April, May and June, Specialists in the Center participated in more than 30 on-site farm and business visits in 15 counties. In addition, subject-matter presentations were made at ten different events to an audience of approximately 300 and a two-day educational tour was conducted with 18 individuals with an interest in organic/natural agriculture. More than 100 people received educational materials from the Center and 8 new departmental fact sheets were developed.

State Profile Features CPA –

The May/June 2004 issue of the *Agricultural Marketing Resource Center's* monthly newsletter included a special "state profile" which featured the *Center for Profitable Agriculture*. The profile appears on page 4 of the newsletter and is available on the AgMRC website at:

<http://www.agmrc.org/about/may04action.pdf>.

Upcoming Activities - Specialists in the CPA continue to be involved in a variety of educational and outreach programs across the state. Three Extension publications are slated for release in the coming months, two educational tours will be conducted and presentations will be made at the Milan No-Till Field day and 4 other regional events.

A Message from the Director:

The second meeting of the CPA Value-Added Council was held May 26 in Nashville. Council members were updated on Center projects and activities by CPA staffers. Mary Holz-Clause, Director of Value-Added Programs at Iowa State University and Co-Director of AgMRC spoke to the Council about AgMRC, value-added programs at other ag innovation centers around the country and also shared her views on the future for value-added enterprises in the food and fiber sector. AgMRC is a web-based agricultural innovation center jointly co-sponsored and directed by Iowa State University, Kansas State University and The University of California – Davis. A major portion of the agenda was devoted to discussion and advisory input from Council members.

CPA staffers met with The Tennessee Farm Bureau Board of Directors on May 27 to report on Center activities and projects in compliance with periodic reporting requirements provided for in the TFBF/UT memorandum of agreement outlining Farm Bureau's support for the Center.

Progress is being made in efforts to fill the vacant Marketing Specialist position on the CPA staff. Candidate interviews have been completed and discussions with qualified candidates are ongoing.

Dan Wheeler

Director - Center for Profitable Agriculture

Center Submits "Developing Rural Businesses" Proposal – During June, the Center developed a program proposal and submitted it to USDA Rural Development for potential grant funding. The project, titled "Developing Rural Businesses" (DRB), will create, develop and implement a value-added training and outreach initiative which will provide technical assistance to farmers and value-added entrepreneurs who are considering or pursuing the development of successful private enterprises. The DRB program will initially be implemented in a 19-county area of Tennessee with high unemployment and poverty rates, low median income and a sharp decrease in tobacco production in recent years. The program will serve as a model for possible, long-term implementation in other regions of the state. In pursuit of ultimate rural business development through the support and development of entrepreneurship, the primary objectives of the program are to 1) provide technical assistance, 2) identify, assemble and disseminate information on resources that are available to assist, foster and develop value-added enterprises and 3) coordinate training opportunities that supplement technical assistance. The program is poised to be launched in October 2004. A full-time program coordinator will be named and a "Program Advisory Team" will establish detailed program parameters and a comprehensive program work plan by November 2004. By December 2004, the program coordinator will assemble teaching tools and will plan and develop the program. Detailed promotions of the program's technical assistance, group programs and educational resources will begin by January 2005. Delivery of one-on-one technical assistance and implementation of group trainings will take place between January 2005 and August 2006.

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Update on Organic & Sustainable Agriculture Program Efforts – Recent contacts through the Center’s organic and sustainable agriculture program efforts consisted of approximately 224 producers, marketers, consumers and colleagues. These contacts occurred through farm and market visits, community and steering committee meetings, office consultations, one-on-one and teleconference calls and a two-day educational tour. Recent program activities include: help with the development of a new farmers’ market research for cut flower opportunities for a client and practical assistance with preliminary production plots; practical assistance for producers who agreed to make part of their organic vegetable and/or fruit production system an educational demonstration; service on a Southern Sustainable Agricultural Working Group (SSAWG) team; assistance to three producers with business plan development; informal surveys of organic and natural food products markets in west Tennessee; and, coordination and implementation of the Organic and Natural Agriculture Tour for 18 participants who visited four farms implementing organic and/or natural agricultural production systems and commercial and/or direct marketing techniques.

Agritourism Initiative Going Strong – The Agritourism Initiative remained a major focus of the CPA this quarter. A publication was prepared by Center Specialists to summarize and analyze information learned from a survey of 210 existing agritourism enterprises and is currently under review. The purpose of the study was to identify characteristics of the agritourism industry in Tennessee and to identify issues and obstacles faced by agritourism enterprises that may be addressed through research, teaching and outreach. In addition, specialists made progress on a resource manual for agritourism entrepreneurs and began organizing workshops for agritourism entrepreneurs scheduled for next Fall.

Commentary on Tennessee’s New Processing Cooperative Law – During the Winter and Spring of 2004, the *Center for Profitable Agriculture* conducted a review of Tennessee’s new processing cooperative law. The review was documented under the title “Commentary and Overview of the Tennessee Processing Cooperative Law.” On the outset, the review was envisioned as a “brochure-type” explanation of the new law. However, it was learned that a thorough review and discussion of the new law would best be presented in a complete comparison and consideration of the overall cooperative environment including a significant detail of cooperative history. The history of rural cooperatives in the United States is well documented and has been thoroughly studied and debated in the discipline of both agriculture policy and business organization. The history of cooperatives includes numerous case studies of successful and failed ventures across the country. The history also reports modifications to basic cooperative models which were implemented to accommodate various changes in both the economic and agricultural environments. The history sheds light on the fact that agricultural cooperatives in the United States have represented more than just another legal business organization and have received special federal tax considerations, favorable antitrust protection, direct government funding and have been steeped in a heritage of business organization and operating principles unlike other business structures. The publication attempts to build a basis of understanding about the cooperative business, to present the primary characteristics of cooperative organization and to explain the characteristics of the new processing cooperative law with respect to the traditional cooperative environment. Published copies of the commentary are expected to be available during the late summer.

UPDATE ON COMPLETED PROJECTS:

Drinkable Yogurt Processing and Marketing Considerations -- Drinkable yogurt sales reached \$132.8 million dollars in mid-2002 in food stores with more than \$2 million in sales, with a growth rate of 36.6 percent above the previous year. Per capita consumption of yogurt was only 12.9 half pints in 2001, however. The market has several major players including DANNON®, Yoplait®, and Stonyfield Farm®. Drinkable yogurt products developed for niche markets are appearing and opportunities may exist to tap an unsatisfied niche. Identifying a target market and their product preferences would be a key factor in product development and market planning. Drinkable yogurt production requires a significant amount of equipment to produce a safe and quality product. The amount of capital necessary to acquire equipment may be restrictive depending upon production and sales volume expected.

Beef Marketing and Risk Management Considerations – Population growth, increasing per capita consumption of beef and increasing interest in “natural” or other specialty product characteristics indicate favorable market conditions for value-added beef products in some areas of the state. Identifying a target market and developing an appealing product position is extremely important in gaining consumer attention and focusing marketing messages. Product claims such as “natural” or “no hormones administered” used on labels or in marketing materials must be approved by the USDA Food Safety Inspection Service. Risk management, especially managing against the threat of liability damages, is often a major concern of enterprises producing and selling food products. Risk management strategies for a direct beef marketer may include choosing a beneficial business structure, purchasing food product liability insurance, maintaining a production and delivery log book, providing safe food handling information to customers and recording all complaints, incidents and responses.