Agricultural Development Center

Agricultural Extension Service
The University of Tennessee

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The University of Tennessee Agricultural Extension Service

"As you will note below, the ADC has some additional grant resources that will add significantly to our ability to enhance value-added efforts in Tennessee in the future. The resources will be used to document successful value-added businesses which will permit our faculty to be a more knowledgeable resource for future ADC projects. I think all of us should be pleased with our accomplishments during this initial year. I especially want to thank county extension agents for their support." - - - - Ray Humberd

Grant Proposals Approved: The ADC has been successful in receiving grant funds to conduct a variety of market development studies. A joint USDA, TDA and ADC project will conduct five case studies with successful value-added agribusinesses in Tennessee. The project will also include five market surveys for the types of businesses evaluated by the case studies. The ADC has also received a Tennessee "Ag. Tag" grant which will fund a study on the market potential for value-added livestock waste products. Both projects will begin in the Summer of 1999 and conclude in the Fall 2000.

Results of Annual Evaluation Are In: On April 1, 1999, an evaluation questionnaire was sent to all ADC projects that were completed in the 1998 calendar year. The adult agricultural agent from each of the completed project counties was also sent a questionnaire to evaluate the ADC's work. Seventy-five percent of the county Extension agents and 50% of the project entrepreneurs returned a completed questionnaire. All of the responding Extension agents indicated that they would recommend that other agents utilize the ADC and 100% of the entrepreneurs said that based on their experience, they would recommend the ADC to other farmers and entrepreneurs. The ADC's assessment of projects in 1998 indicated that three were infeasible within the specific parameters placed by the entrepreneurs, one was feasible but did not meet the earning criteria of the entrepreneur and thus will not be implemented. Two of the projects were found feasible, but only under certain criteria (location, markets, sales volume, product line) and, to date, have not been implemented. Four of the projects were deemed feasible and currently have products available on the market. Extension agents indicated that the ADC's work was very thorough and detailed, timely and well focused. On a scale of one to ten, with ten representing the highest rating, respondents indicated that on the average . . . they considered their project to be at a 4.2 level of implementation, 9.6 was the average rating for their overall experience with the ADC and 9.2 was the average degree to which the ADC's evaluation of their project was helpful in improving their chances of success.

Analysis of Projects Sets Stage for Publications: As a result of intensive analyses for many value-added agricultural projects, the ADC has assembled information that may be applicable to other Tennessee farm families and agri-entrepreneurs. The ADC is developing the following publications: Understanding Value-Added Agriculture, A Commercial Turfgrass Sod Budget for Tennessee, Considering an Agritourism/Entertainment Farming Enterprise in Tennessee and Elementary School Teachers' Preferences for Farm Tour Field Trips.

Outreach Efforts Take Shape: Workshops addressing "Adding Value to Tennessee Agriculture . . ." are being planned. The first one will focus on "New Food Businesses." The one-day workshops will provide information on financial, production/regulatory and marketing issues and will feature Extension specialists, successful entrepreneurs and representatives from the Department of Agriculture, the Food & Drug Administration and the Department of Health.

A summary of projects completed by the ADC in April, May and June of 1999 is presented on the next page.

A State Partner in the Cooperative Extension System
The Agricultural Extension Service offers its programs to all eligible persons
regardless of race, color, age, national origin, sex or disability and is an Equal Opportunity Employer.
COOPERATIVE EXTENSION WORK IN AGRICULTURE AND HOME ECONOMICS
The University of Tennessee Institute of Agriculture, U.S. Department of Agriculture,
and county governments cooperating in furtherance of Acts of May 8 and June 30, 1914.
Agricultural Extension Service
Billy G. Hicks, Dean

Composted Cotton Gin Trash - Developing a stable, composted, cotton-gin-trash, end-product requires a complex composting recipe to produce a bagged product that is marketable as a contaminant-free soil conditioner/fertilizer. If a stable compost product can be developed, the cost associated with production requires a healthy sales volume for the operation to break even. Per-unit cost estimates will likely require that the product be positioned in high-end, niche markets. Under these conditions, many retail outlets will likely be needed, as each is only expected to sell a limited number of bags. Preliminary estimates indicate that as many as 200 different retail outlets could be necessary to provide the sales volume needed for the operation to break even. Existing research studies have found that composted gin trash can be a valuable soil amendment. However, developing a consumer product and an appropriate distribution network—with low risk, under regulated conditions, at a competitive price—is challenging.

Marketing a Patented Honey Jelly - A patented production process can differentiate a product from its competition. A patented process and a unique product can deliver a uniquely different product that may appear to have little competition. However, with a product that combines two common edibles, honey and jelly, the product must compete, somewhat, with jelly and honey products. Because the product is unique to the marketplace, sales, consumption and usage data do not exist. In this instance, studying the jelly and honey markets can provide some insight into customer preferences and consumption levels. Even with all the signs of a national favorite, each new product must mingle through a fairly predictable product life cycle. Developing a quality product, accenting it with attractive packaging, understanding the target market, developing retail contacts and initiating promotional tactics are all parts of the necessary recipe for a successful product.

Roadside Retail Marketing - Based on per capita consumption data, Americans consume more fruits and vegetables now than any time in history. As consumers demand more fruits and vegetables, their tastes have changed from purchasing pre-cut and packaged produce to purchasing fresh, high-quality produce. Roadside stands are well-positioned to benefit from this trend in fruit and vegetable consumption. However, to capitalize on these trends, roadside stands need to develop strategies and tactics to increase potential customer awareness, increase customer traffic and increase sales per customer. However, no single tactic can guarantee additional customer traffic and additional sales. Rather, success will hinge on a combination of tactics and their implementation. Fortunately for the roadside farm market, a variety of tactics (such as festivals, frequent shopper programs, brochures, mass media advertising and roadside signs) can help promote a business to new customers. Similarly, in-store sampling, displays, store layout, product identification and informed sales people can attribute to additional sales per customer.

A Working-Farm Vacation Business - Recreation-related farm enterprises are becoming more popular due to increased leisure time, greater mobility and interests in relaxation. Entertainment farming activities can offer opportunities for hands-on farm experiences, the chance to talk with farm personnel and the opportunity for an overnight stay in a working-farm environment. A **unique** experience is essential to the success of such a business. The product (farm experience + special service + atmosphere) should be uniquely positioned to appeal to the targeted customers. Entertainment farming activities may offer the potential of additional income for the farm operation and a method to use under or non-utilized farm resources. However, these activities may result in extra responsibilities, more labor and increase the farm's exposure to risk and liability. The "fun" aspect rather than the income potential is often a primary objective. Outdoor recreation enterprises are not always good profit makers for farm operations. Sidelines of this type usually do not generate enough dollars to be attractive profit makers. When costs are applied to family labor inputs, depreciation, facilities & equipment, taxes and others, the net income is often in the red.

Treating Forest Products - The start-up investment and regulatory requirements for treating wood are substantial. Start-up costs may approach $1 million and annual operating expenses could run half of that amount. For some wooden products, per unit variable costs may account for approximately 75% of the expected wholesale price. Therefore, a high volume of regional sales is necessary. The market for some treated wood products has substantially diminished in recent years with the increase in the use of fabricated materials. The most significant market for value-added forest products must exist within an efficient distribution area in order to enhance success.

Dehydrating Chicken Litter for Use as a Fertilizer - The results of our findings indicate that there is limited market potential for a dehydrated poultry litter product as soil amendment/conditioner. It is expected that the level of sales for such a business to break even would require a much greater amount of raw litter input than is likely available. Cost of production estimates appear to push the retail price of the bagged product into the market for higher income consumers. With a projected nutritional value less than competing commercial soil conditioners, the product must appeal to the consumer on a basis other than price and nutrients. Approval of the product for use in certified organic production will be dependent on end-product analysis, record keeping and a thorough procedure that insure organic standards. The most probable positioning strategy will include uses of terms such as natural, local and fresh.

Farm Tours for Children Groups - Hosting children groups at a farm as part of a commercial business requires more efforts than hosting your child's class at no cost. Liability insurance, food preparation regulations and strict scheduling policies are just a few of the considerations needed. Normally when the decision is made to host groups for commercial farm tours, several start-up costs must be incurred. Because the admission charge for these types of operations tend to only be slightly above the variable costs, a large volume of tourists are often needed to recover the start-up costs. Farm-tour enterprises are often started as goodwill efforts and a way to educate the public, meet people and teach people about farming rather than make a lot of money. There appears to be a fine line between the total costs of operating a commercial farm tour business and the total revenues generated from such.