Agricultural Development Center

Agricultural Extension Service
The University of Tennessee

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October 1999
No.6

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

We are extremely pleased to have Seth Riggins join the ADC to provide leadership for an intensive look at some successful value-added businesses. This project will permit us to assemble information that will be valuable in working with others. Seth has experience through his graduate research with value-added opportunities in Kentucky.

We continue to receive project applications on a regular basis. Our faculty members are working on 8-12 different projects at any point in time. Projects are at different stages in the analysis so it becomes like a juggling act to keep everything going at once. Then there is the necessary follow-up with many of the projects that we have "completed." Needless to say, we are busy and we continue to believe that the opportunity for value-added enterprises exists for many Tennesseans. I thank all our county, area and state faculty and our partners for their support.

- - - - Ray Humberd

Value-Added Food Workshop Success: A value-added food workshop was conducted in East Tennessee with more than 45 participants attending from eleven counties. Participants represented businesses and enterprises including jams & jellies, dried & fresh meat, bakeries, restaurants, bed & breakfasts and herbal products. Program instructors represented marketing, production/regulatory and financial planning disciplines. Speakers included representatives from the ADC, TDA (marketing & regulatory), FDA, USDA, County Health Department, radio and television industry representatives, Small Business Development Center and private value-added food business owners. A workshop notebook was assembled for each participant which included publications, workshop materials and additional references. More than 35 different marketing, production/regulatory and financial publications and resources were included in the notebook and more than 15 additional resources were distributed and made available during the workshop. On a scale of 1 to 10, participants were asked to rate their agreement with a variety of statements where 1= strong disagreement and 10 = strong agreement. More than 80% of the participants rated the following statements with an "8" or greater.

- This workshop was worth my time and money!
- I benefitted from this workshop!
- I am now better informed on the topic of "value-added agriculture!"
- I increased my knowledge of how to better prepare my value-added food enterprise for success!

Market Development Projects Go Full Speed: Two different market development projects funded by grants from USDA (Federal-State Marketing Improvement Program) and TDA (Ag. Tag Fund) took shape in the third quarter. Mr. Seth Riggins, a recent Masters graduate from University of Kentucky will join the ADC in October as the principal investigator for the FSMIP study. Five value-added "case study" businesses have been selected for intensive study. On-site interviews with the case study businesses are scheduled for this fall and market surveys are planned for Spring 2000. Regarding the ADC's "Ag. Tag" grant for analyzing the market potential for value-added livestock waste products, five consumer groups are being interviewed to gauge the demand for animal manure lawn and garden products. Home owners, lawn and garden stores, landscaping companies, nurseries and golf courses as potential consumers for manure-based lawn and garden products. Interviewing is anticipated to be completed by the end of December 1999. The data will be analyzed and put into a report format for statewide dissemination.

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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

Additional Funds Sought: In pursuit of additional resources, ADC faculty continue to identify external funding opportunities for activities that support and enhance the ADC mission. Five grant proposals which included opportunities for the ADC were recently submitted. Three of the proposals were producer-initiated projects with contributions by ADC faculty. One proposal called for a three-year, multi-state value-added enterprise development project with training workshops while one requested funds for the development of a systems approach handbook and a hands-on workshop to further the understanding, application and development of value-added agriculture in Tennessee.

Entertainment Farming: Call it what you wish—Agritourism, Entertainment Farming or Agritainment—the number of enterprises on Tennessee farms that generate income from the public by the sale of "farm experiences" are growing. A significant number of ADC projects can be classified as entertainment farming. From pumpkin patches and apple orchards to petting zoos and cornfield mazes, a variety of entertainment farming enterprises are being considered. While often considered a "build it and they will come" enterprise, entertainment farming activities must actually be carefully planned and developed. Entertainment farming enterprises indeed represent a growing value-added industry.

Other Outreach Efforts: During the third quarter of 1999, the ADC participated in a variety of "group meeting" outreach efforts. Special presentations and exhibits were made at the Lower Middle Tennessee Multi-County Vegetable Seminar, Milan No-Till Field Day, U.T. Institute of Agriculture "Ag. Day," East Tennessee, USDA Customer Service Fair and the Southern Region Farm Management, Marketing and Public Affairs Committees..

Products Discussed with Supermarkets: Five food products developed by entrepreneurs associated with the ADC were recently introduced to regional supermarkets chains: Food Lion, Harris-Teeter and Bi-Lo. Product samples were sent to Food Lion and Harris-Teeter and product review results from these stores will determine which products will be available in Tennessee supermarkets.

A summary of projects completed by the ADC during the third quarter of 1999 is presented below:

Apple Butter - Analyzing the feasibility of automating a food preparation process is like taking a spin on a merry-go-round—it doesn't matter where you jump on, things get dizzy in a hurry. First of all, the costs associated with an automated production system need to be carefully studied. New facilities, machinery and equipment alone could range from $30,000 to $100,000 while annual operating costs could range from $10,000 to $90,000. However, by automating the system, variable costs per jar should actually be lowered assuming that total production (units of output) is increased. It is often this greater production that contributes to problems. A marketing system must be designed to move a larger number of finished products and retail supermarkets are often considered the best channel for a large volume of product. Sales data for similar products should be carefully studied and distribution to supermarkets should be cautiously planned. If the use of brokers and distributors is being considered, the effect of their product mark-up before it reaches the consumer should be considered. If direct distribution to supermarkets is planned, transportation costs and costs of securing enough individual stores to move a sufficient volume of product should not be overlooked.

Cottage Cheese Whey - Utilization of by products in the development and marketing of consumer goods must adhere to economics. That is, the cost to develop and market a product should not exceed the value of the finished product to the end user. Therefore, the cost of recovering, processing, packaging and marketing whey derived from the production of cottage cheese must not exceed the value of edible grade dry whey as a livestock feed or human nutritional supplement. As might be expected, a large volume of by-product cheese whey could not recover the estimated $1 to $2 million start-up costs incurred in producing the product as well as reduce the per-unit, end-product cost of edible grade whey. Therefore, it is apparent that the debt payments, annual operating costs and per unit variable costs for a business which transports liquid, by-product, cottage cheese whey to a processing facility, extracts the whey and bags and distributes an edible-grade whey will greatly exceed the income potential in an organized market that pays between $0.10 and $0.22 per pound for dry whey.

Smoked Fish - Value-added aquacultural products often require precise technical development. Salt, nitrates and water-activity levels are crucial measures in the development of a safe, stable and marketable product. A variety of test-trials are needed to develop a product acceptable by the consumer. Many home recipes require substantial adjustments when acclimated to a large-batch process. Niche marketing of value-added aquaculture products such as smoked fish also needs significant attention. Truth in labeling regulations must be considered, competing products should be studied, distribution and direct marketing channels should be investigated and target markets should be identified.