

Adding Value to Tennessee Agriculture:

Evaluating and Development Opportunities for Increased Farm
Income - - Series of Farmer Meetings, Fall 2003

Funded in part by an agreement with the Tennessee Department of Agriculture and the
USDA-FSMIP



Overview

- Introduction to the
Center for Profitable Agriculture (CPA)
- What is Value-Added Agriculture?
- Characteristics of Value-Added Success



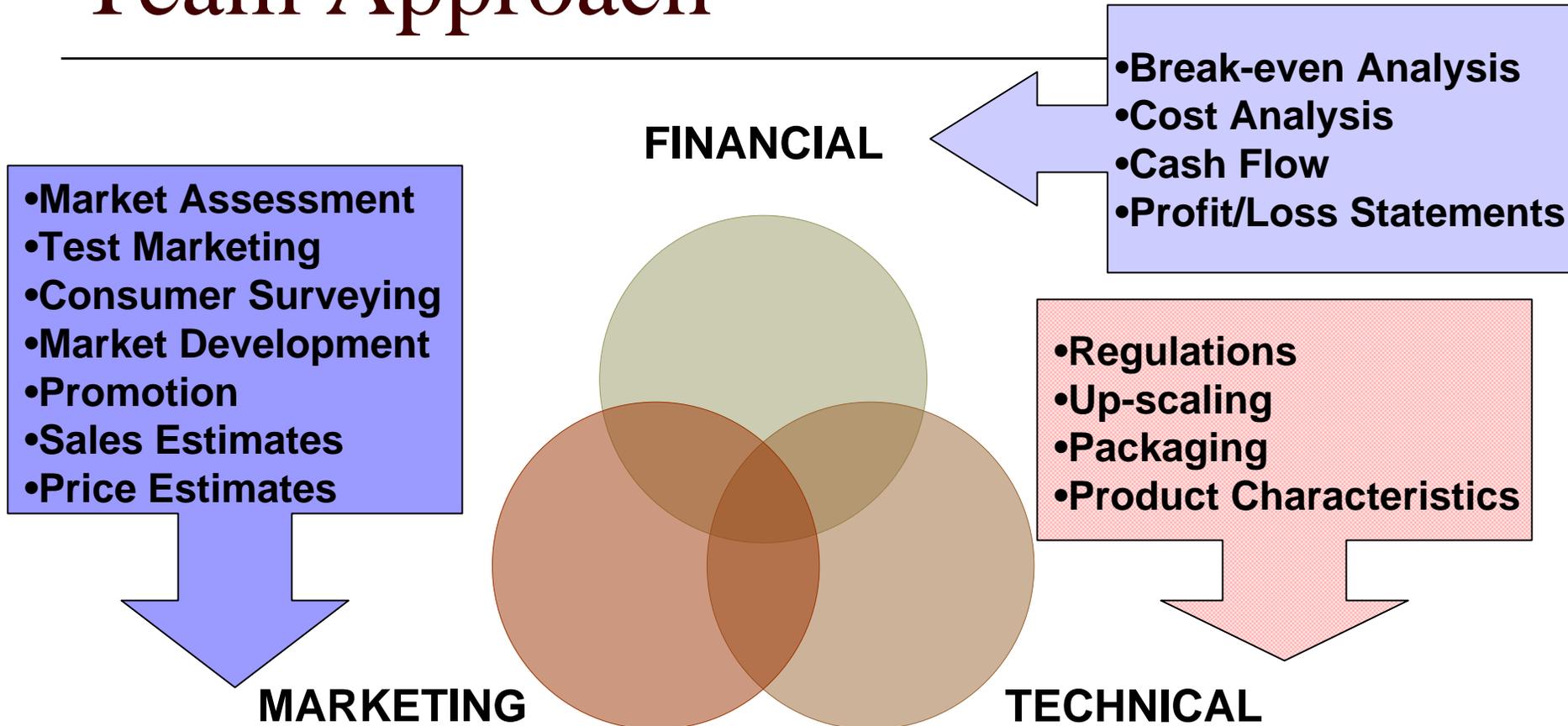
Introduction to the *Center for Profitable Agriculture*

- 1) Cooperative venture by UT and TFBF
(Extension Educational Program)
- 2) Work with farmers to evaluate, analyze and develop value-added ventures
- 3) Conduct analysis of agriculture “industry” opportunities
- 4) Assist in cooperative and alliance development and Agri-Tourism.

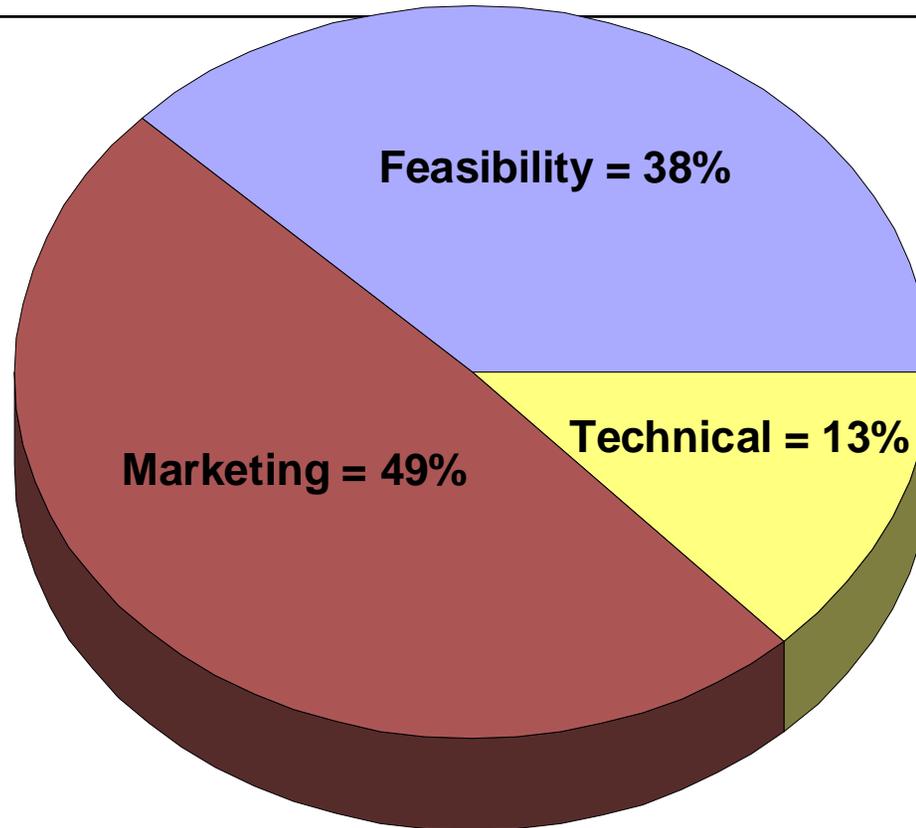
Introduction Continued . . .

- Feasibility studies, business plans, market analysis
- Publications, fact sheets, workshops, conferences
- Technical analysis, regulation studies, product and business development

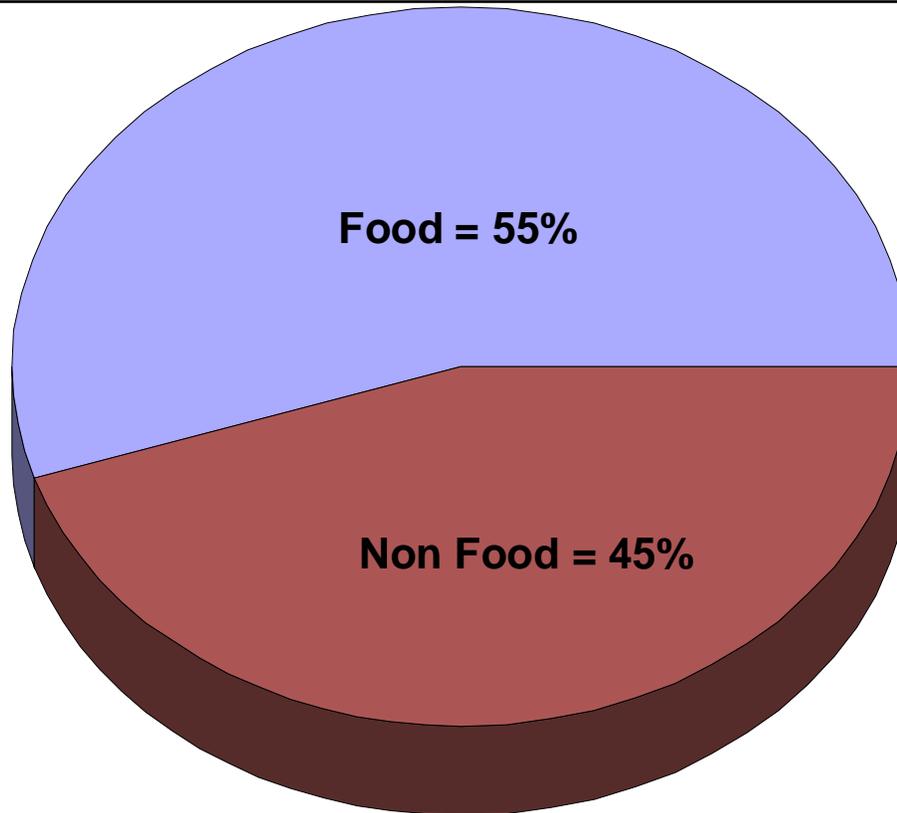
Team Approach



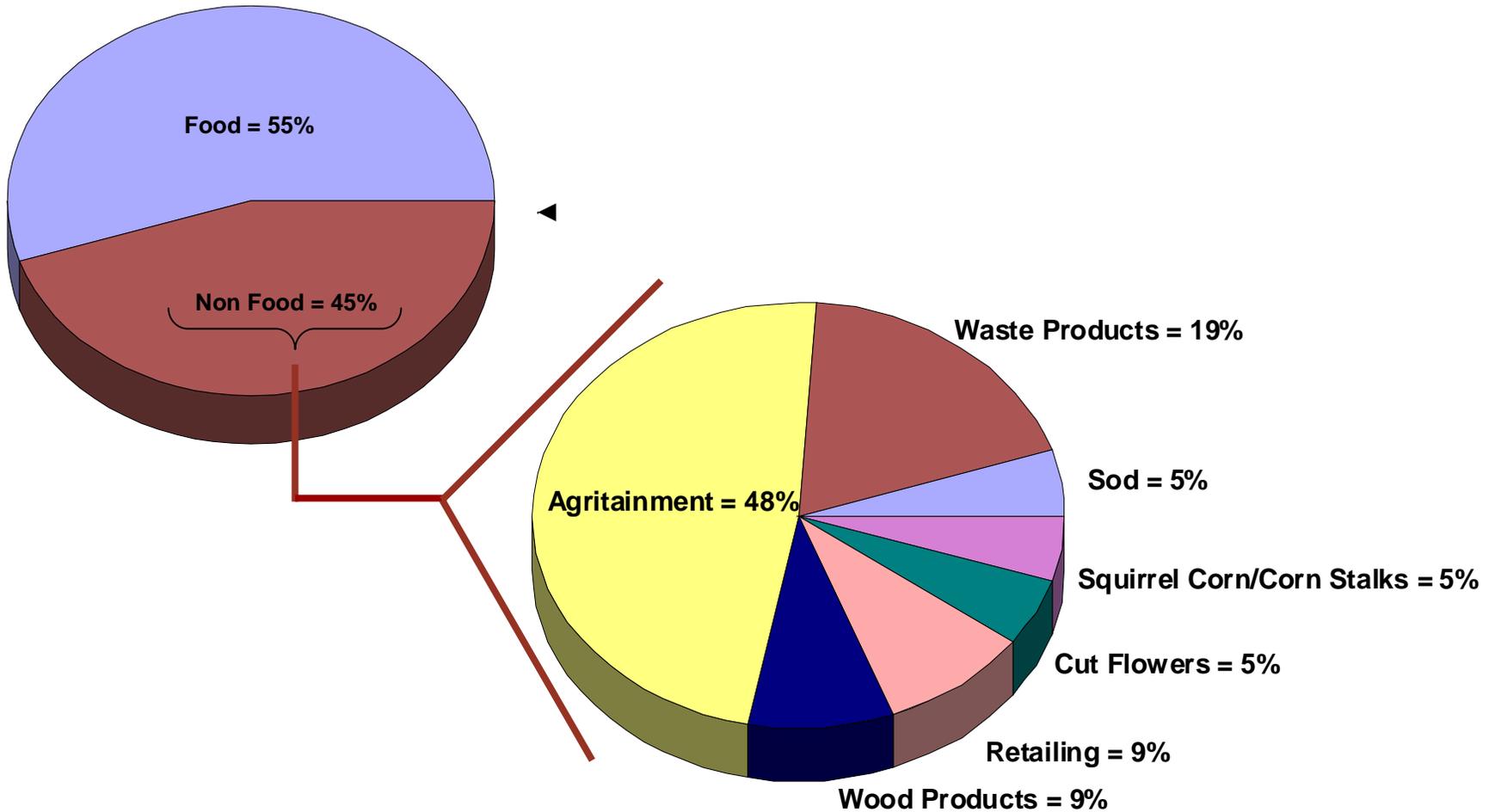
Primary Role of CPA



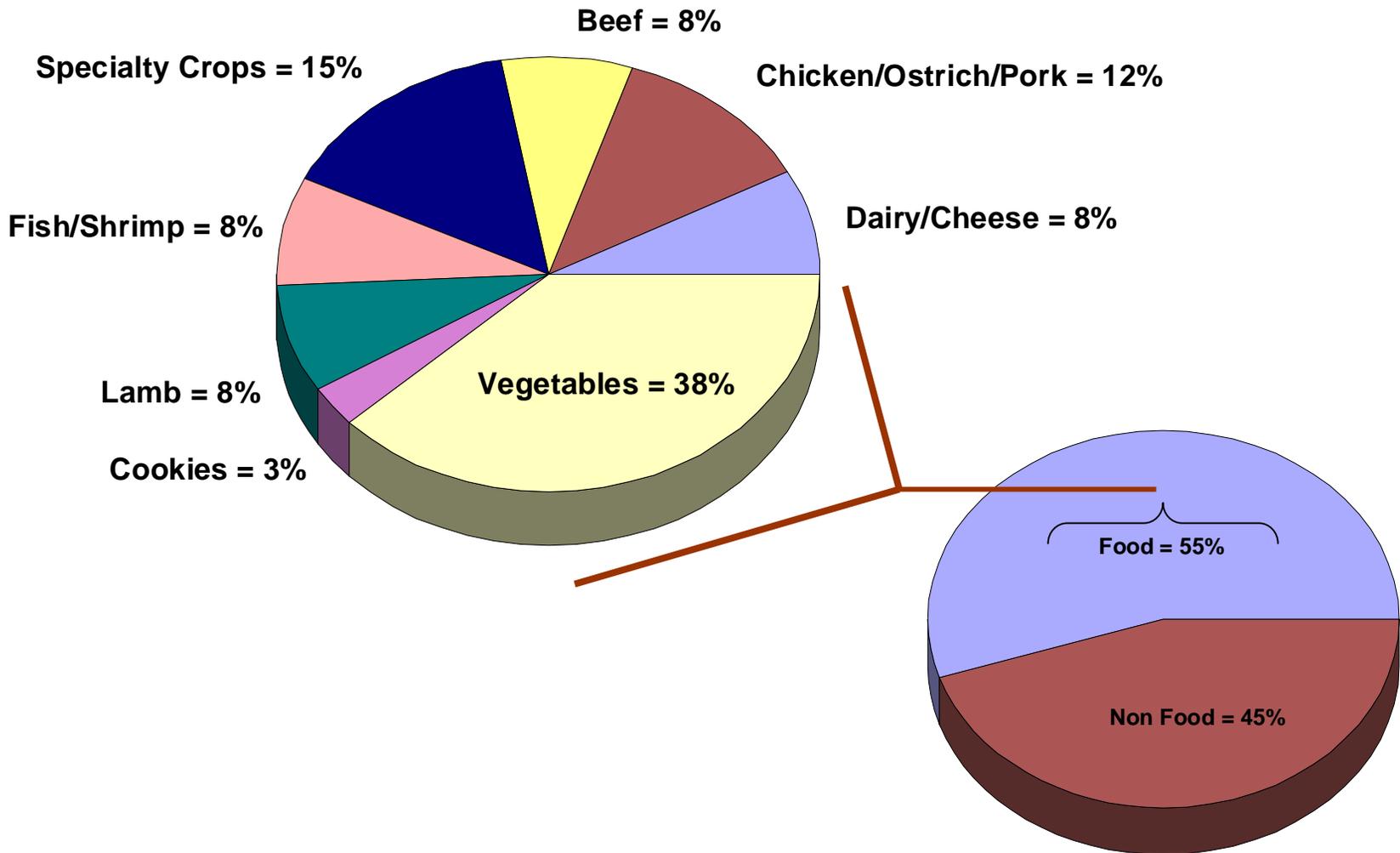
Food and Non-food Projects



Types of Non-food Projects



Types of Food Projects



Definition of Value-added



*Changing, processing, packaging,
segregating, marketing
an agriculture resource/commodity in a
way that a greater portion of the
revenue it generates accrues to the
farm.*

Processing

Packaging

Marketing

Value-added Examples

Commodity

- Soybeans

- Milk

- Strawberries

- Composted Farm Wastes

- Tomatoes/Peppers

- Farm

- Timber

Value-added Product

- Biodiesel Fuel

- Bottled Milk/Cheese/
Ice Cream

- Strawberry Preserves

- Packaged Soil Conditioner

- Hot Sauce/Salsa

- Agri-Tourism/

- Agritainment

- Flooring & Moulding

Alternative Agriculture Enterprises vs. Value-Added Enterprises

□ Alternative Enterprises

(enterprise which replaces another enterprise, or replaces/increases income)

□ Value-Added

(changing or marketing a resource/commodity to increase income or increase the value derived from the commodity/resource)

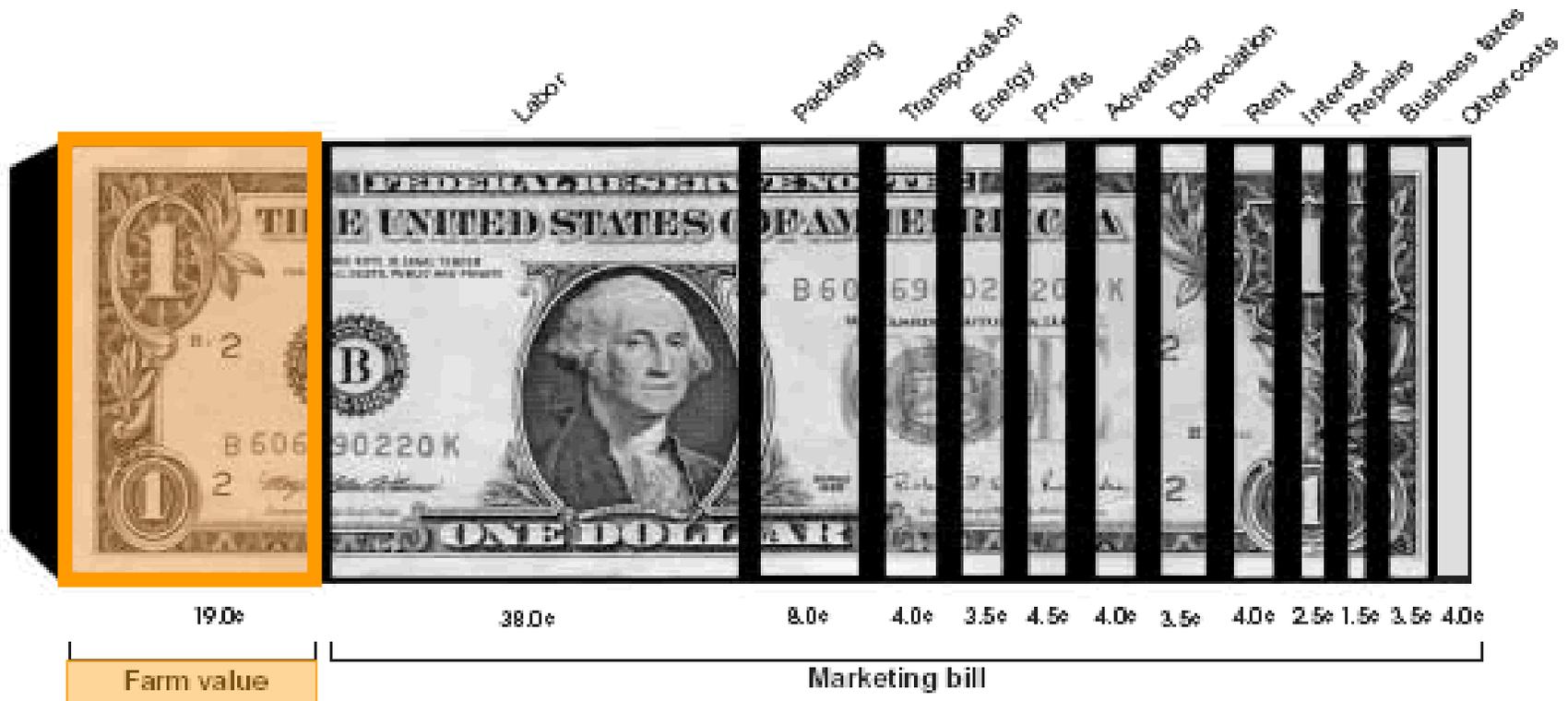
Why Plan and Evaluate?

- No guaranteed success

- 75% of small businesses fail within 1 year
 - Only 13% make it beyond 5 years

- Unique set of resources contribute to success

Farm Value of Food Dollar



Source: USDA's Economic Research Service.

Assessment of Resources:

There's more to hickory nut pie than hickory nuts

□ Production:

- Soil Type
- Rainfall
- Fertility
- Variety
- Row Spacing
- Yields
- Labor
- Equipment
- Facilities
- Marketing
- Transportation

□ Value-Added:

- All Production Issues
- Pre-Processing
- Other Input Acquisition
- Equipment (processing & packaging)
- Labor
- Storage
- Packaging
- Regulations
- Marketing
- Management
- Transportation/Distribution
- Consumers

Example Project: R-GROW



- ❑ **Product Formulation**
- ❑ **Test Marketing**
- ❑ **Target Market**
- ❑ **Packaging**
- ❑ **Cost Analysis**
- ❑ **Market Development**
- ❑ **Pricing**
- ❑ **Marketing**

What we have learned:

- Business growth over an 8-year period
 - Strong commitment to “long-term” success
 - Cash flow critical in the early years
- Quality control and large volume critical
- Detailed understanding of regulations is needed
- Significant marketing costs in early years
 - Word-of-mouth effective in short and long run

Continued . . .

- ❑ If you always do what you've always done . . .
- ❑ Unique farm resources matched to unique consumer demands.
- ❑ Can't judge a book by its cover.
- ❑ Not always "build it and they will come."
- ❑ Success takes time!

Contacting the Center

Center for Profitable Agriculture

Middle Tennessee Experiment Station

P. O. Box 1819

Spring Hill, TN 37174

(931)486-2777

cpa@utk.edu

<http://cpa.utk.edu>



Adding Value to Tennessee Agriculture

