

Adding Value to Fruits and Vegetables



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Fruit and Vegetable In-Services
Knoxville, Jackson and Spring Hill
March 2008

Outline

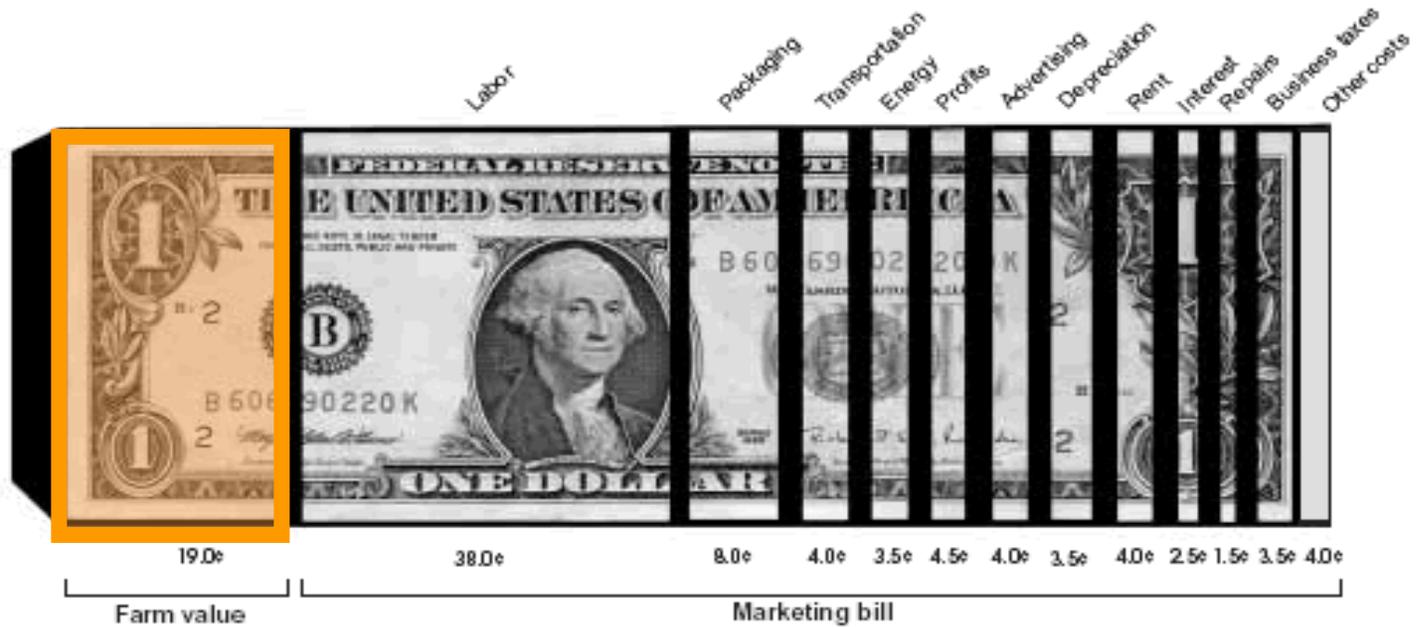
- What is value-added?
 - Fruit and Vegetable Market Trends
 - Adding Value to Fruits and Vegetables
 - Additional Considerations
 - Examples of VA Fruit and Vegetable Enterprises in TN
 - Resources
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What is Value-Added?



- *Value-added agricultural enterprises allow producers (or growers) to earn a greater portion of consumer expenditures by processing, packaging and/or marketing crops, livestock or other farm resources.*
- As defined by the Tennessee Extension Priority Team for Value-Added Agriculture

What is Value-Added?

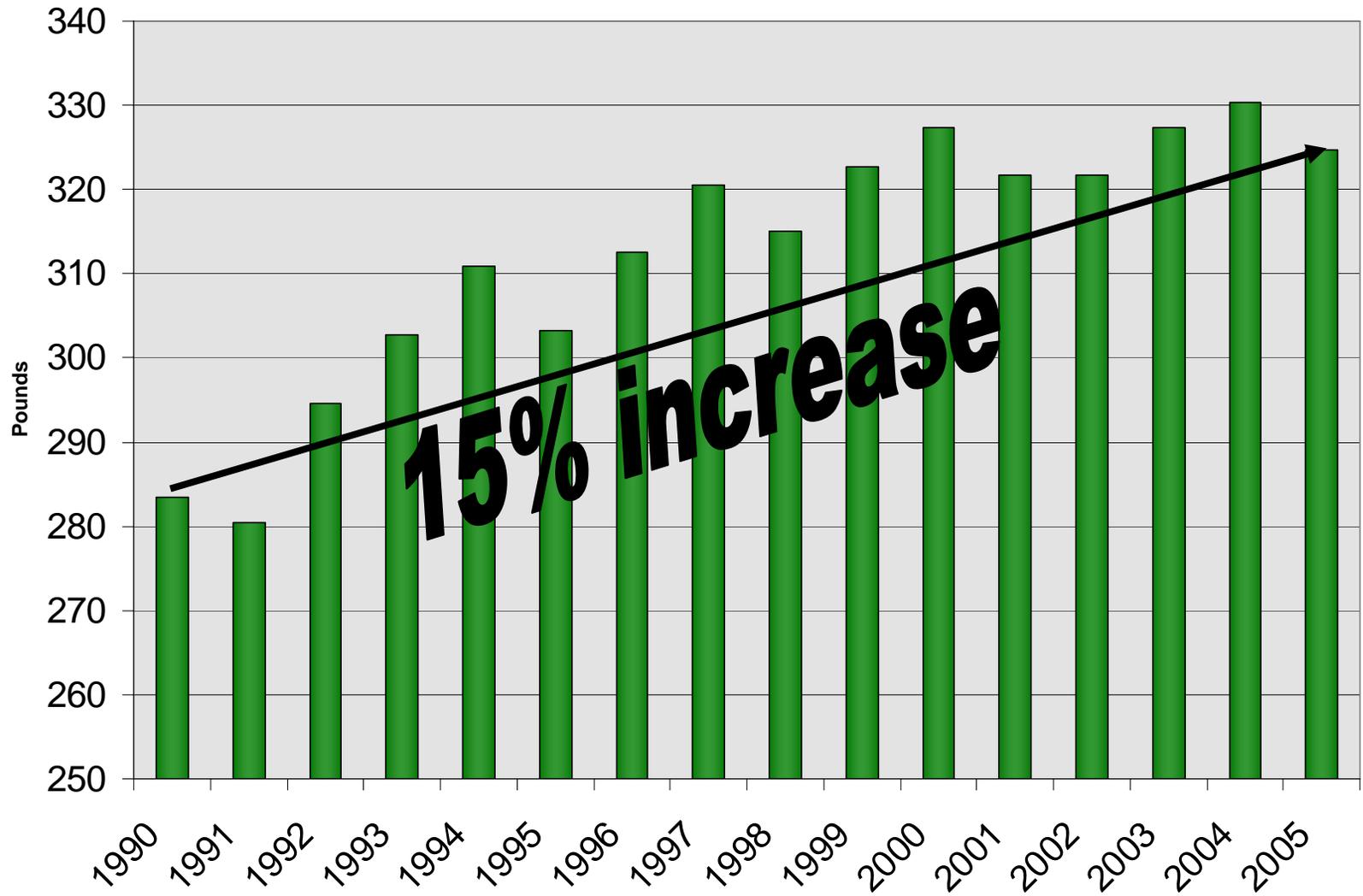


Source: USDA's Economic Research Service.

Fruit and Vegetable Market Trends (related to Value-Added)

Increasing consumer demand for
variety, quality, convenience

PCC Fresh Fruits and Vegetables



(USDA, ERS)

Fruit and Vegetable Market Trends

- Increased variety of produce offered at retail
 - Increased number of branded products offered at retail
 - Increased sales of processed products – fresh cut and packaged salads
 - Increased sales of produce by wholesalers to foodservice channel
 - Consolidation and streamlining of supply chain
-

Fruit and Vegetable Market Trends

- Increasing number of farmers and sales through direct-marketing
 - The number of Tennessee farmers participating in direct farm sales to consumers increased by 698 from 1997 to 2002.
 - This is a 25.9 percent increase in the number of farmers adding value through direct marketing.



Fruit and Vegetable Market Trends

- Increasing numbers of farmers markets
 - 55+ farmers markets in Tennessee
 - Direct marketing fruits, vegetables, meats, canned goods, baked goods, nursery products and more



Fruit and Vegetable Market Trends

- Willingness of some consumers to pay premiums for environmentally friendly and locally produced products
- Some consumers seeking on-farm experiences



Fruit and Vegetable Market Trends

(CSU Study)

- Consumers who purchase direct from consumers valued
 - Variety available
 - Support for local producers

 - All consumers valued
 - Superior products
 - Safety
 - Price
-

Fruit and Vegetable Market Trends

- Production practices valued
 - Pesticide-free production
 - Locally grown
 - (Organic ranked 6th of 7 production attributes)
 - Physical attributes valued
 - Firmness and texture
 - Freshness
 - Color and visual appeal
-

Value-added is in...



...but its not easy.

- Almost 1/3 of small businesses fail within 2 years
 - More than half fail within 4 years
-

...but its not easy.

Value-added enterprises add another dimension to management and operations

Production

- Input Selection and Purchase
- Soil Fertility
- Disease Control
- Weed/Insect/Wildlife Control
- Fertilization
- Irrigation
- Planting
- Cultivating
- Harvesting
- Field Sanitation
- Labor
- Records Keeping
- Farm Inspection/Certification
- Marketing

Value-Added

- All Production Issues
- Processing
- Packaging
- Storage
- Regulations
- Marketing
- Distribution
- Customer Service
- Additional labor

What works?

Which enterprises have and have not increased \$

Have Increased \$

- On-farm retail of fresh F/V
- CSA
- Strawberry Preserves
- Salsa
- PYO Blueberries

Have NOT Increased \$

- On-farm retail of fresh F/V
 - CSA
 - Strawberry Preserves
 - Salsa
 - PYO Blueberries
-

This one probably wouldn't work...



Increasing Potential for Success

- Produce quality products
- Produce consistent products
- Identify market niche and differentiate products
 - Fresh
 - Locally grown
 - Pesticide free
 - Superior appearance
 - Convenience
- Develop relationships with customers
- Offer experiences to customers



Characteristics of Success

- Labor management skills
 - Ability to adapt to many new regulations
 - Organizational management skills
 - Strong financial position
 - Commitment to the long-term
 - People skills and marketing savvy
-

Adding Value to Fruits and Vegetables

Add value to fruits and vegetables by

- Processing
- Packaging
- Marketing



Adding Value by Processing

- Various levels of processing
 - Snapping beans
 - Washing and mixing lettuces or greens
 - Making jams and jellies, salsas, sauces, etc.
 - Making pies, cakes or cookies



Processing Regulations

- All levels of processing must be done according to TDA regulations (at least)
 - Some counties may have more stringent regulations
 - Domestic Kitchen Rules
 - Commercial Kitchen Rules
-

Adding Value by Direct Marketing

- Producers market product directly to end consumer
 - Producers able to
 - Establish relationship with consumers
 - Avoid expenses related to using brokers
 - Earn a greater share of the consumer dollar
 - Several channels
 - CSA
 - Farmers Market
 - On-farm retail
 - Farm to Chef
 - Farm to School
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CSA – Community Supported Agriculture

- Subscription agriculture programs that allow consumers to purchase shares of a farm's production in exchange for a weekly allotment of fresh produce during the harvest season
 - Spreads production risk over shareholders
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On-Farm Retail

- PYO – Pick Your Own
- Pre-Picked
- Retail Store
- Incorporates desire for fresh, local, desirable production techniques and experience



Additional Considerations



Weights and Measures

- Produce sold by weight must be weighed on scales that are “legal for trade”
 - Scales must be inspected and permitted by TDA Weights and Measures Department
 - Weight must be figured as net weight
 - (Does not include weight of carton or container)
-

Sales Tax



- A farmer who grows 50% or more of produce sold in a calendar year is exempt from collecting sales tax on all produce sales
- A farmer who grows less than 50% of produce sold must collect and remit sales tax on the portion of products he/she did not produce
- Agricultural Tax Guide
 - Available on-line at <http://www.state.tn.us/revenue/taxguides/agricultural.pdf>

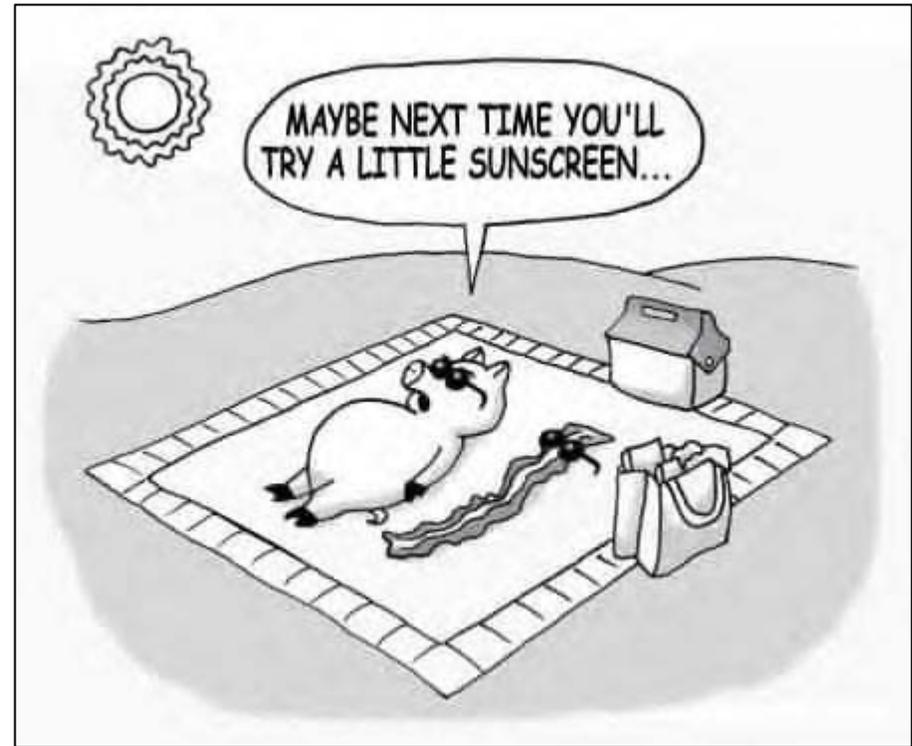
Sampling

- Includes slicing of fresh produce and offering to customers free of charge
- Regulations vary
- Contact county and state Departments of Health for specific policies
- Health, safety and liability issues
- Can be an effective promotional strategy



Risk Management -- Liability

- Product Liability
- Landowner Liability



Examples of Value-Added Fruit and Vegetables Enterprises in Tennessee



Delvin Farms

- Certified Organic Produce
- CSA-Community Supported Agriculture
- Farmers Markets





Flippens Fruit Farm

- PYO and retail
 - peaches, pears, apples & nectarines
- Fried pies
 - Retail, wholesale, Web sales...
- Other value-added products
 - Apple butter, preserves...
- Restaurant – Flippens Hungry Hillbilly
- www.flippenhillbillybarn.com



Jones Orchard

Fruit

Jams & Baked Goods

On-farm retail



Keg Springs Winery



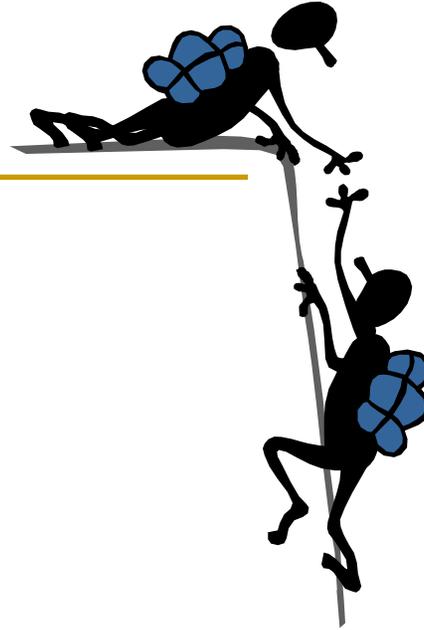


Valley Home Farm

- PYO Strawberries
- Value-added Products
 - Jams
 - Baked Goods
 - Strawberry Pops
- Special Events



Resources



Center for Profitable Agriculture
Educational Materials
Cost-Share Program
Marketing Programs

Center for Profitable Agriculture



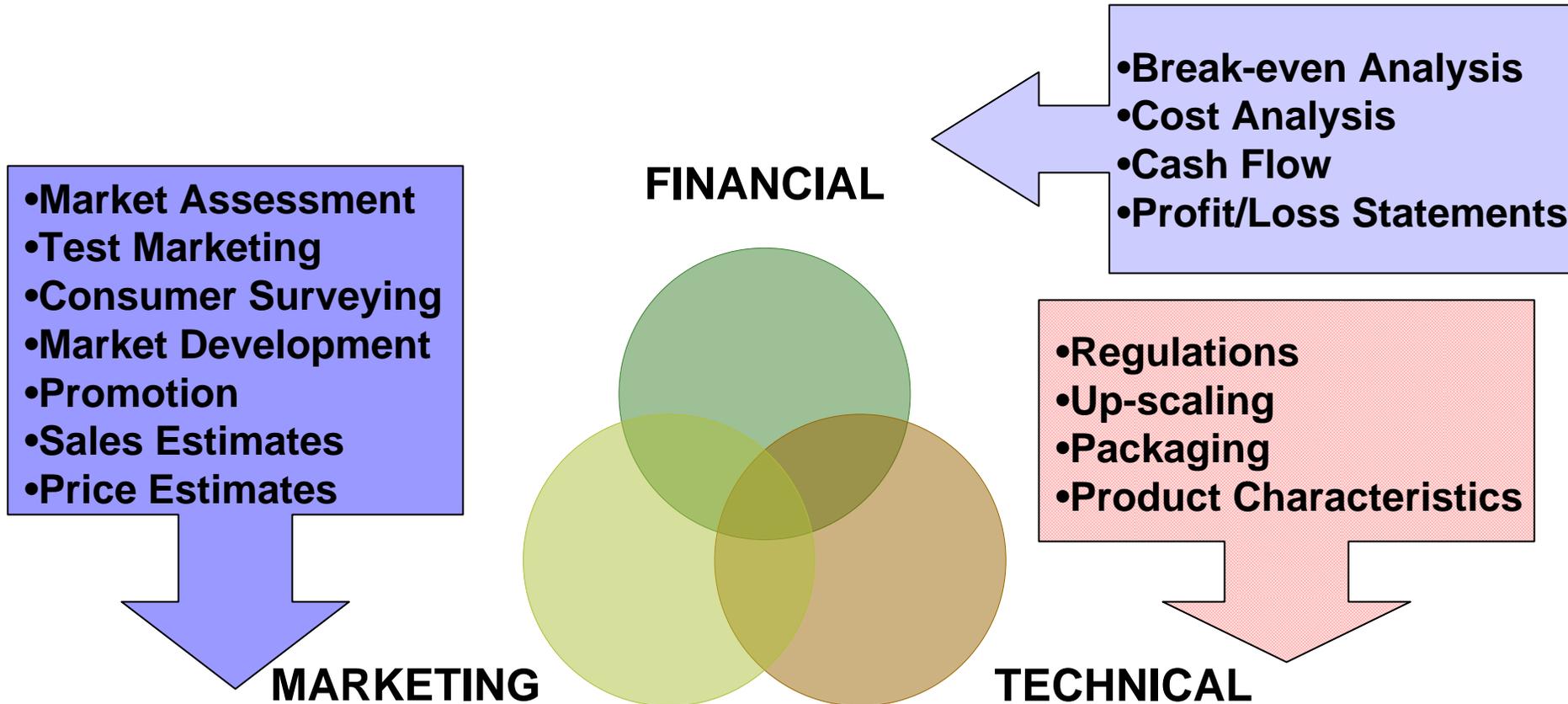
- Department in the University of Tennessee Extension
- Partnership of Tennessee Farm Bureau Federation and University of Tennessee Extension
- Memorandum of Agreement with TDA, Market Development Division

Center programs focus on...

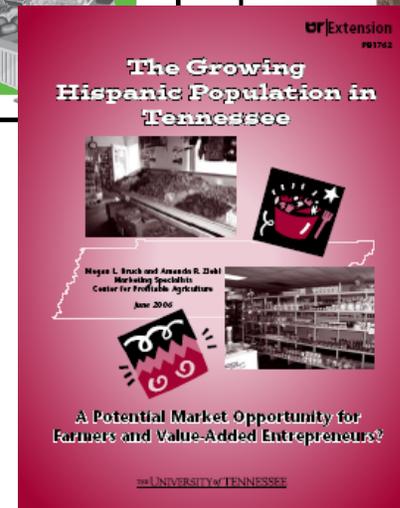
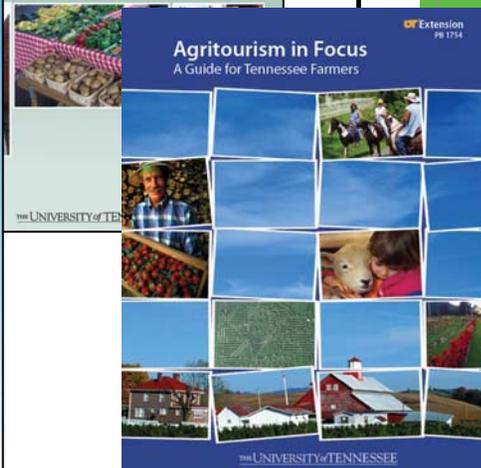
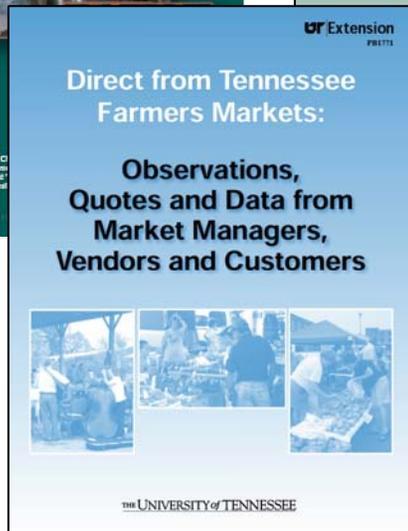
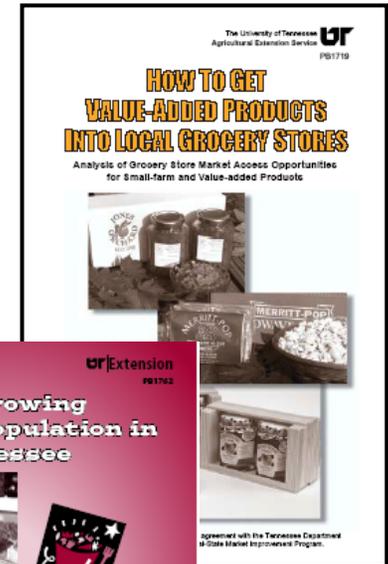
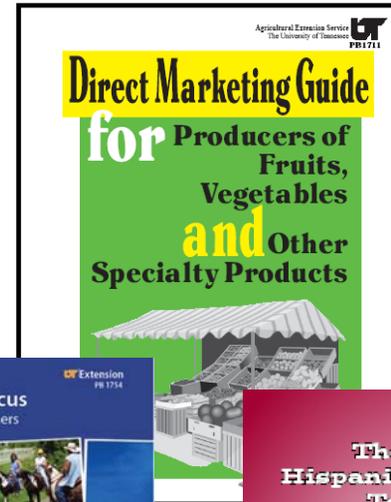
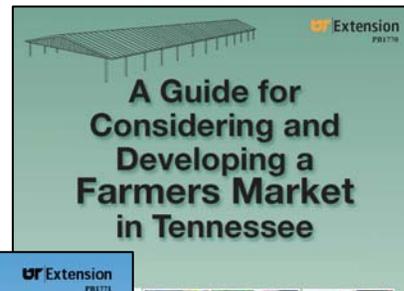
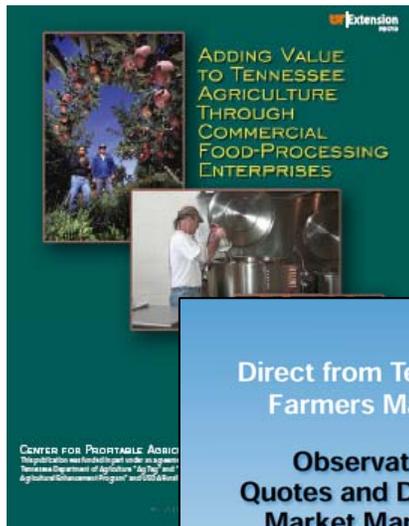


- Analyzing and evaluating value-added agriculture ideas
 - Conducting educational outreach programs on value-added topics
(workshops, seminars, conferences)
 - Developing Extension educational materials for value-added subjects
(publications, fact sheets, tools)
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The Center's Team Approach



Educational Resources



Upcoming Educational Opportunities

- Farmers Market Forum
 - March 31
 - 8:30am to 4:30 pm
 - Smith County Agricultural Complex
 - RSVP to Laura.Fortune@state.tn.us

 - Value-Added In-Services
 - September 10-11, West Tennessee
 - October 22-23, Middle Tennessee
 - November 5-6, East Tennessee
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Cost-Share Program

- Tennessee Agricultural Enhancement Program – Producer Diversification Cost Share
 - Includes fruit and vegetable production, organics, viticulture, agritourism
 - 2007 program: Cost-share from 35% up to \$10,000 or 50% up to \$15,000
 - <http://www.state.tn.us/agriculture/enhancement/growth.html>
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Cost-Share Program

- Cost-Share for Organic Certification
 - Tennessee Department of Agriculture
Contact: Jon Frady
(615)837-5160



Marketing Programs

- Pick Tennessee Products
 - <http://www.picktnproducts.org>



- Tennessee Farm Fresh
 - Tiffany Mullins, Tennessee Farm Bureau Federation
 - (931)388-7872 ext. 2763
 - tmullins@tfbf.com



Summary

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Sources

- CHOICES. 4TH Quarter 2006. 21(4).
 - USDA, ERS.
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