Beginning Farmer Education
Value Added Activities

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Outline

What is Value Added Agriculture?
Versus a Commodity focus
Keys to success
Domestic Kitchen in Tennessee
Some Funding Sources
Some good publications
What is Value Added Agriculture?

- Adding value to a raw product by taking it to at least the next stage of production
- Changing the physical form of the product
- Adding value (utility to economists) to a product especially form but also time (storage), place (access), and ease of possession (easy for customer to obtain)
- May but not may involve direct marketing to final consumers
Official USDA Definition

• Must meet one of 5 value added methodologies:
  – Has undergone a change in physical state
  – Was produced in a manner that enhances the value of the agricultural commodity
  – Is physically segregated in a manner that results in the enhancement of the value of the agricultural commodity
  – Is a source of farm or ranch based renewable energy, including E85 fuel
  – Is aggregated and marketed as a locally produced agricultural food product

• And as a result
  – The customer base for the agricultural commodity is expanded.
  – A greater portion of the revenue derived from the marketing, processing, or physical segregation of the agricultural commodity is available to the producer of the commodity.
Farm Share of Food $ under 16 cents

2008 Marketing bill series

Farm share: 15.8¢
Marketing share: 84.2¢
Or

• Go from here:

  $ \leq \text{Farmer share of the }$

• To here:

  $ \leq \text{Farmer share of the }$

• Or better yet here!

  $ \leq \text{Farmer share of the }$
Value-added strategic vs. commodity strategy

• Commodity strategy:
  – producing a relatively homogenous product (corn for animal feed)
  – focus is on being low-cost producer
  – almost always have to be large to do this

• Value-added strategy:
  – Means a demand (customer)-side focus
  – Higher returns per unit of input (land)
Examples of Value Added Enterprises (Goods and Services)

- Wheat milled into flour
- Wine or juice from grapes
- Jellies and jams from fruit
- Ready-to-eat salad packs from fresh vegetables
- Pick your own orchards
- Farm tours
- Meat cuts from farm-raised livestock
Overall or “Big” Keys to Success

• Focus
• Choose something you love to do
• Choose something that fits your personality and goals
• Establish a loyal customer base
• Make your product “unique”
More Detailed Keys to Success

• Start small and grow naturally
• Make decisions based on **Good records**
• **Create a high-quality product**
• Follow demand-driven production
• Get the whole family or partners involved
• Keep informed
• **Plan for the future**
• **Continuous evaluation**
• Perseverance
• Adequate capitalization
Have a Niche Market

• “Identify a niche and the type of market to fill that niche”

• Niche marketing—selecting a specific group of consumers and targeting them in your marketing effort
Detailed Business Plan

• Operations plan — flow of the business, quality and cost control
• Personnel plan — needs, skills and training
• Sales plan — including challenging but realistic goals
• Management plan — strengths, weaknesses and resources
• Investment and financial plan — cash flow planning
Still More Keys to Success

• Adapt to market changes
• Be open to exploring new ideas
• Operate more as a resource manager than as a producer
• Realize the importance of networking and the need to develop alliances
Domestic Kitchen Processing as a Value Added Option

Tenn. Code Ann. § 53-1-207

TENNESSEE DEPARTMENT OF AGRICULTURE
REGULATORY SERVICES DIVISION
CHAPTER 0080-4-11
https://tn.gov/assets/entities/agriculture/attachments/AgLicFD_DK_rules.pdf

Critzer and Bruch Factsheet
https://ag.tennessee.edu/cpa/Information%20Sheets/CPA%20194.pdf
Domestic Kitchen Production

• Legal in TN only for selected nonhazardous foods

• Domestic Kitchen:
  – a home based kitchen that meets the established requirements for processing non-potentially hazardous foods for sale to the general public

• Non-potentially hazardous foods:
  – jam, jellies, candy and baked goods that do not meet the definition of potentially hazardous foods
Unit of sale

• The form of packaging in which the product is normally offered for sale to the consumer (e.g., 1 loaf of bread)

• Maximum limit of 100 units sold in a week
Regulatory Environment Is Tricky

• Can forego inspections and training if:
  – Selling at community social events, flea markets and farmers markets located in the state (and these entities do not require certification)
  – must display an 8.5-by-11-inch sign with 0.75-inch font at the place of sale stating, “These food products were made in a private home not licensed or inspected.”

• Any individual must have adequate knowledge of safe food handling practices

• **Provider is held liable** if their product causes someone to become ill with food poisoning or have an allergic reaction because of improper labeling

• Otherwise inspection and training required (for example if you want to sell through grocery stores and restaurants)
Under Regulatory Services Permit Option

• Obtained from the Tennessee Department of Agriculture, Regulatory Services, Food and Dairy Section

• Domestic kitchens are inspected by the Tennessee Department of Agriculture

• Any individual involved in the processing must have:
  – Successfully completed the Tennessee Food Safety Certification Course presented by the University of Tennessee Department of Food Science and Technology (or equivalent)

• Any individual must have adequate knowledge of safe food handling practices.
Bunch of Rules

• Contact UT Extension Food Safety
  – Faith Critzer
  Food Safety Extension Specialist
  2510 River Dr.
  Knoxville, TN 37996
  Email: faithc@utk.edu
  Ph: (865)974-7274

  – Rebecca Cash
  2510 River Dr.
  Knoxville, TN 37996
  Email: Rebeccac@utk.edu
  Ph: (865)974-7331

https://ag.tennessee.edu/foodscience/Pages/Food-Science-Extension.aspx
USDA Value-Added Producer Grants (VAPG)

• Helps farmers create and expand value-added products and enterprises; new farmers receive priority in “scoring”

• Two Types:
  – Planning grants to fund economic planning activities such as the development of business and marketing plans and feasibility studies ($75k max)
  – Working capital grants to fund the operation of a value-added business venture, specifically to pay for eligible expenses related to the processing and/or marketing of the value-added product ($250k max)

• Examples:
  – Cidery feasibility study; working capital for farm-based dyes
  – TN 4 in FY 2014; 1 in FY 2015; well below regional leaders!
Some Details for VAPG

• Must have 1 to 1 match (up to 50% in-kind)
• Farmers’ Guide for Applying
• Description of Program
  http://www.rd.usda.gov/programs-services/value-added-producer-grants
• USDA-Rural Development with questions; recommend appropriate regional office
  http://www.rd.usda.gov/tn
Number of VAPG, FYs 2014 & 2015

 Virginial 38
 Georgia 24
 Missouri 23
 North Carolina 12
 Kentucky 12
 Tennessee 5
 Mississippi 5
 Alabama 4
 Arkansas 2
Tennessee Agriculture Enhance Program: Producer Diversification Value-Added Products Sector

- Must add value to products from applicants farm (primary source)
  https://www.tn.gov/agriculture/article/ag-enhancement-producer-diversification-value-added

- Two Levels:
  - Standard: 35% cost-share, $10k max; must attend 2 eligible education courses
  - Master: 50% cost-share, $15k max; must attend 1 eligible education course and one farm fresh meat course

- Some Eligible $: freezers; packaging equipment
- Some non-Eligible $: Advertising, alcohol production equipment

- producer.diversification@TN.gov or 1-800-342-8206
Internet Resources for the Agribusiness Entrepreneur: Value Added

- Keys to Success in Value-Added Agriculture

- Adding Value to Agricultural Products

- Opportunities for Adding Value to Your Products
  http://ag.arizona.edu/arec/publication/direct-farm-marketing-tourism-handbook-complete-handbook

- Marketing Alternatives Vegetable Resources
  http://aggie-horticulture.tamu.edu/vegetable/guides/guide-to-marketing-organic-produce/marketing-alternatives/

- Potential Value-added Food Products Groups: Marketing and Production Opportunities for High-end Consumer Food Products
  www.agecon.lib.umn.edu/ndsu/aer419.pdf

- Adding Value to Farm Products: An Overview
  www.attra.org/attra-pub/valueovr.html

- Marketing Alternatives Vegetable Resources
  http://aggie-horticulture.tamu.edu/vegetable/guides/guide-to-marketing-organic-produce/marketing-alternatives/

- Bringing Local Food to Local Institutions
Other Internet Resources for the Agribusiness Entrepreneur

- Financing Your Farm: Guidance for Beginning Farmers

- Market Gardening: A Start-up Guide
  http://douglas.uwex.edu/files/2010/05/Market-Gardening-Getting-Started-ATTRA.pdf

- Finding Land to Farm: Six Ways to Secure Farmland

- Entrepreneur Magazine
  www.entrepreneur.com

- Alternative Farming Systems Information Center
  www.nal.usda.gov/afsic

- ATTRA Sustainable Agriculture
  www.attra.org

- Agriculture Land Assessment Tool
  http://www.communitycommons.org/groups/agsite/
Questions, Comments?
Thank You!

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