

Beginning Farmer Education Value Added Activities

David Hughes,
University of Tennessee Extension,
Department of Agricultural and
Resource Economics
Murfreesboro, TN
September 21, 2016

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



Or

- Go from here:



<=Farmer share of the \$

- To here:



<=Farmer share of the \$

- Or better yet here!



<=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

http://sustainableagriculture.net/wp-content/uploads/2016/04/2016_4-NSAC-VAPG-Farmers-Guide-FINAL-1.pdf

- Description of Program

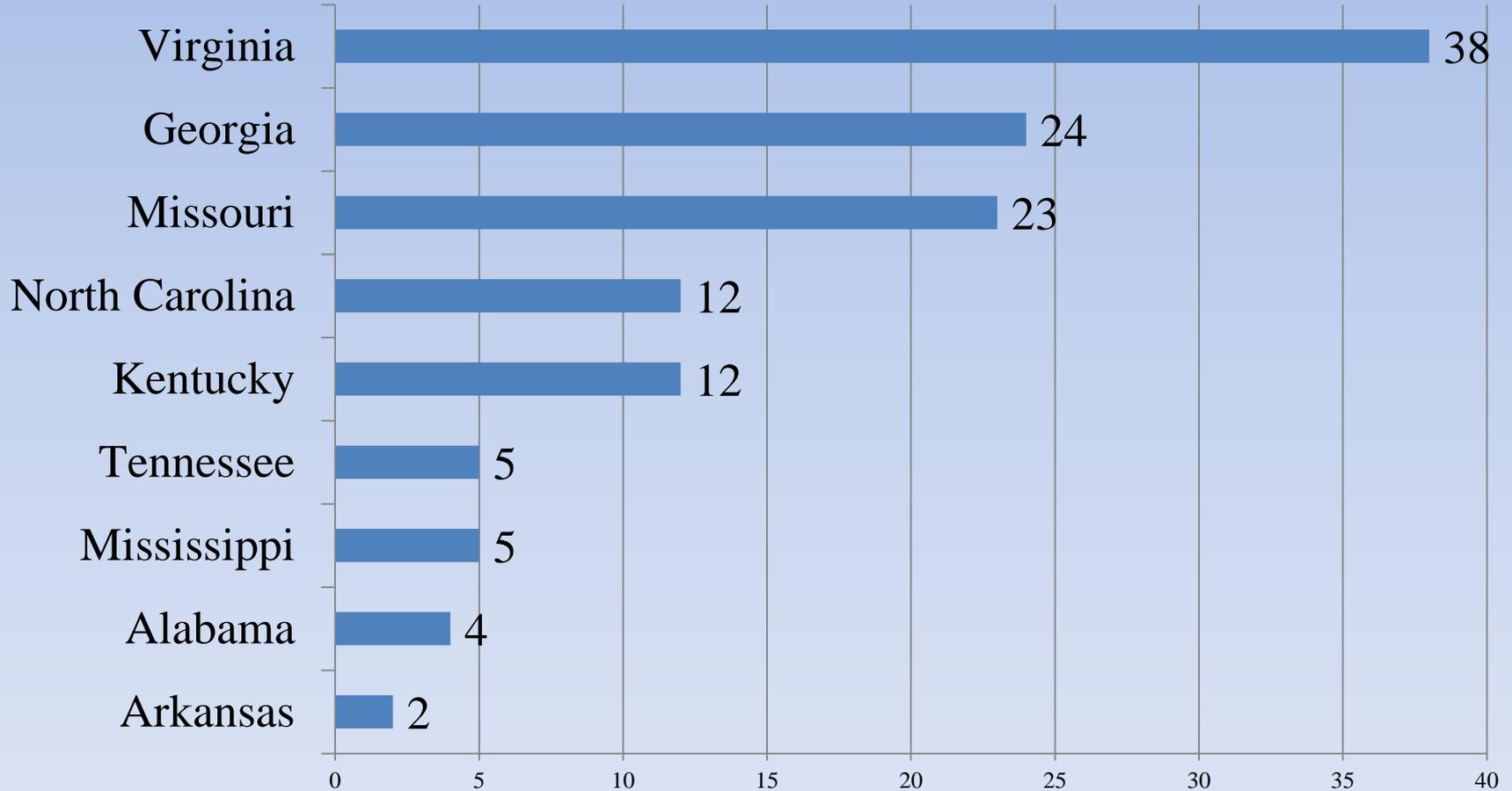
<http://www.rd.usda.gov/programs-services/value-added-producer-grants>

- USDA-Rural Development with questions;
recommend appropriate regional office

<http://www.rd.usda.gov/tn>

http://www.rd.usda.gov/files/images/carousel/TN_ContactsMap_AO-AD_16.04.04.png

Number of VAPG, FYs 2014 & 2015



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

<https://attra.ncat.org/attra-pub/summaries/summary.php?pub=271>

- Adding Value to Agricultural Products

<http://agecoext.tamu.edu/files/2013/10/rm1-8.pdf>

- 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

<https://attra.ncat.org/attra-pub/summaries/summary.php?pub=261>

Other Internet Resources for the Agribusiness Entrepreneur

- Financing Your Farm: Guidance for Beginning Farmers

<http://www.farmsreach.com/welcome/wp-content/uploads/2013/01/Financing-Your-Farm.pdf>

- 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

<https://attra.ncat.org/attra-pub/summaries/summary.php?pub=174>

- 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!

David Hughes

865-974-7463

dhughe17@utk.edu