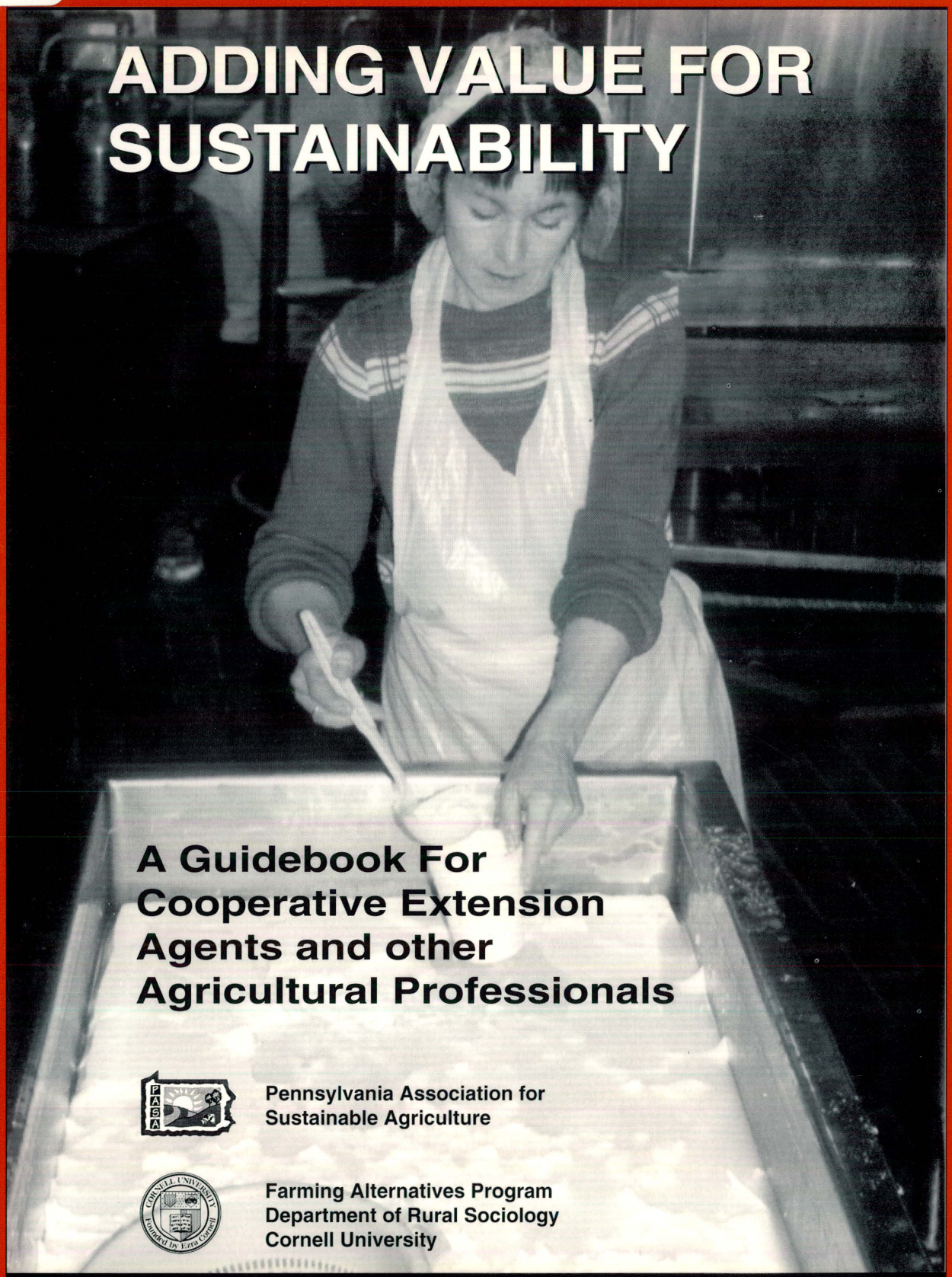
ADDING VALUE FOR SUSTAINABILITY



A Guidebook For Cooperative Extension Agents and other Agricultural Professionals

Pennsylvania Association for Sustainable Agriculture

Farming Alternatives Program
Department of Rural Sociology
Cornell University

Community Agriculture Development Series

Adding Value for Sustainability

A Guidebook for Cooperative Extension Agents and Other Agricultural Professionals

By
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Pennsylvania Association for Sustainable Agriculture

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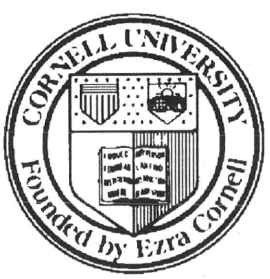
ABOUT THE SPONSORS

Pennsylvania Association for Sustainable Agriculture
Established in 1992, the Pennsylvania Association for Sustainable Agriculture (PASA) is a 501(c)3, member-based, educational organization dedicated to the advancement of sustainable food and farming systems in Pennsylvania and the northeast United States. PASA was founded in response to a need, articulated by Pennsylvania farmers and food system advocates, for an association to start programs that would share information, demonstrate environmentally sound technologies, promote value-added markets, and educate consumers about sustainable and organic farming systems.

PASA's mission is to promote profitable farms that produce healthy food for all people, while respecting the natural environment. PASA is dedicated to increasing the number of farms and the economic viability of existing farms. PASA works with farmers, processors, marketers, and communities to generate innovative food and farming systems that protect the environment. By working to provide equitable local food systems for rural and urban people, PASA members also help increase public awareness about the way that local, sustainable agriculture promotes community development, safe food, and an environment free of toxic substances. PASA represents a dynamic new model for partnerships between traditional agricultural and ever-changing societal interests. It has worked to help forge positive and needed changes in the way food is grown, harvested, distributed, and marketed. PASA sponsors a *Farming for the Future* conference each February which spotlights the latest issues and technologies in sustainable agriculture.



Farming Alternatives Program at Cornell University
The Farming Alternatives Program (FAP) is a multidisciplinary Cooperative Extension program administered in the Department of Rural Sociology at Cornell University. The mission of this nationally acclaimed program is to promote a sustainable food and agriculture system that supports farm families and their communities. FAP has a very active Extension program including conferences, in-service training, and publications, all of which are grounded on theoretical and applied research. The Farming Alternatives Program's target audience includes farmers, Extension field staff and other educators, community agriculture

development groups (including consumer groups), and Cornell faculty, staff, and students.

The Farming Alternatives Program is on the leading edge of community-based agricultural development, or "community agriculture development," and serves as the hub of a statewide network of local Extension and nonprofit organizations initiatives to sustain agriculture in their communities. The Farming Alternatives Program provides support to these groups in many areas, including improving farm and neighbor relations; farmers' markets; community-supported agriculture farms; urban food systems; agritourism; fruit and vegetable grower cooperatives; agricultural economic development; specialty agriculture; and issues related to quality of rural life.

Northeast Region Sustainable Agriculture Research and Education Program

The Sustainable Agriculture Research and Education (SARE) Program is a USDA competitive grants program. Its mission is to increase knowledge about—and adoption of—agricultural production and marketing practices that are profitable, environmentally sound, and that enhance quality of life for farmers, rural communities, and society as a whole.

Northeast SARE's Professional Development Program supports projects through which Extension and other agency personnel learn about sustainable agricultural concepts and techniques, and in turn educate producers and the non-farm population about sustainable agriculture.

Northeast Regional Center for Rural Development

The Northeast Regional Center for Rural Development (NERCRD) is one of four regional rural development centers in the nation, focusing specifically on rural problems of the Northeast region. Located at Penn State, the Northeast Center provides support to the Cooperative Extension services and experiment stations of fifteen land-grant universities in twelve northeastern states and the District of Columbia.

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As the Adding Value for Sustainability Coordinator for PASA, Kristen's primary responsibility is to develop a resource guidebook and two trainings for Cooperative Extension agents and other agricultural professionals on small-scale processing enterprise development. She is also a planning committee member for PASA's annual *Farming for the Future* conference. Previously she chaired PASA's Marketing Committee. Kristen received an M.S. in Rural Sociology from Pennsylvania State University, where she researched food security programs that address hunger and sustainable agriculture issues. Prior to that, she worked for the Chesapeake Bay Foundation, the Rodale Institute Research Center, and the Greater Pittsburgh Community Food Bank.

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Duncan Hilchey is Agriculture Development Specialist (Senior Extension Associate) with the Farming Alternatives Program at Cornell University. He conducts applied research and writes Cooperative Extension publications on subjects ranging from direct marketing and small-scale food processing to agritourism and farm-neighbor relations. He is author of *Agritourism in New York: Opportunities and Challenges in Farm-Based Recreation and Hospitality* (1993), *Farmers' Markets and Rural Economic Development* (1994), and *Cultivating Community: Creative Approaches for Reducing Farm-Related Land-Use Conflict* (1996). His most recent work has been SARE-funded research on small-scale food processors in New York State, and an NERCRD-funded study of community strategies for supporting value-adding activities.

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The authors appreciate the contributions of the members of the Adding Value for Sustainability Advisory Committee toward the development of this guidebook and trainings on small-scale processing enterprises. Advisors helped design and participate in the training sessions, reviewed drafts of this guidebook, and provided assistance when needed.

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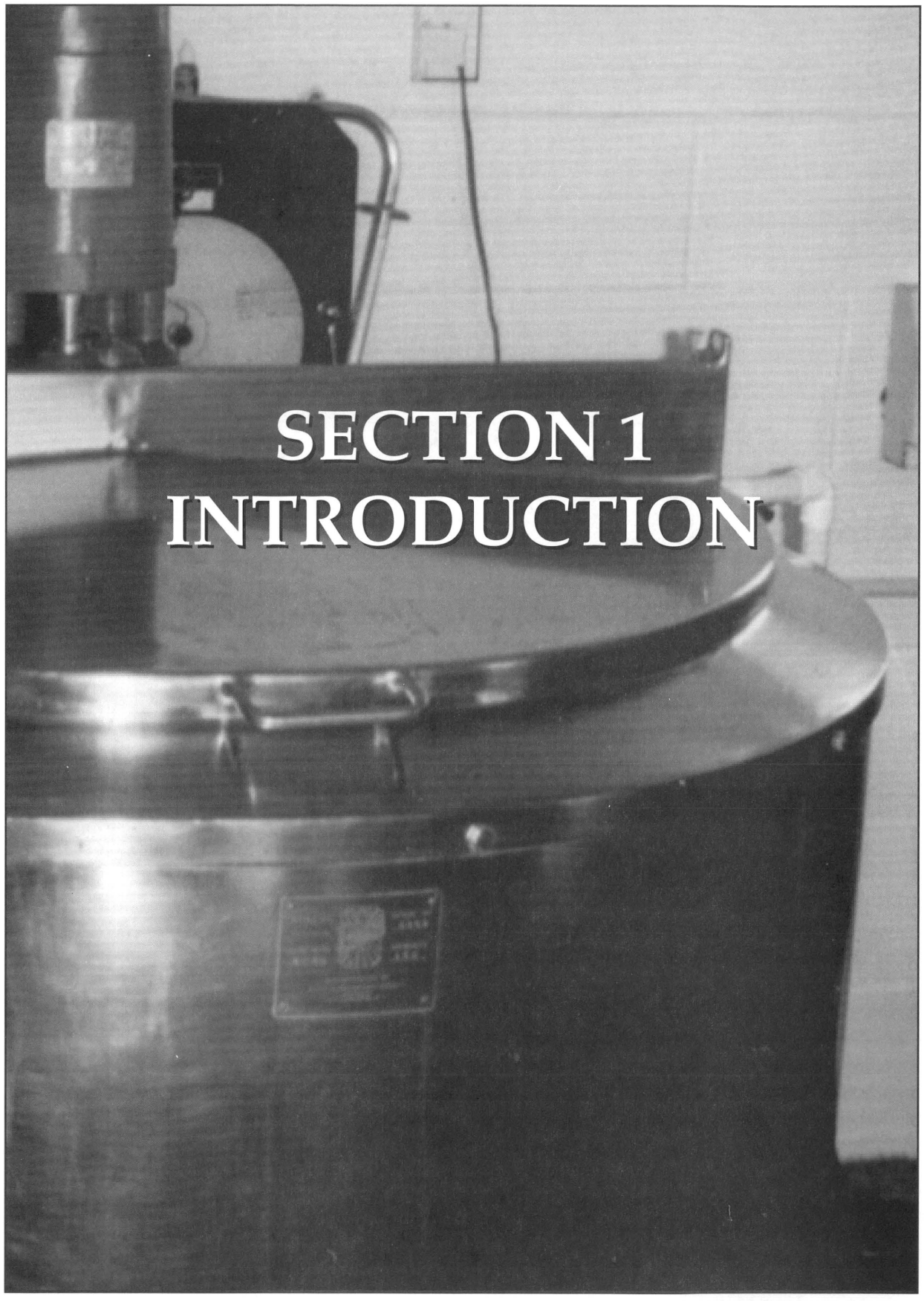
SECTION 1
INTRODUCTION

SECTION 1 INTRODUCTION

Value-Adding Defined

Value-added products (1) offer a higher return than a raw product, (2) open new markets, (3) create brand recognition, and (4) add variety to a farm operation. There is a wide range of possible ways to add value to a raw product. Typically, any steps between harvesting and sales of a product are considered value-adding if the consumer perceives the product as having higher value and is willing to pay more for it. Washing, cutting, and packaging can add value. Generally, prewashed spinach has a higher value to consumers and cut broccoli florets are worth more than the traditional heads. Ready-to-eat preparations such as salads, fruit baskets, and husked sweet corn can attract customers looking for convenience foods. In kosher markets, insect- and dirt-free produce is essential. Even changing varieties, in certain markets, can add value (for example, from iceberg lettuce to romaine). Processing a raw product through smoking, dehydrating, freezing, canning, or baking is a more involved method of adding value. Jams and jellies, pies, and sauces as well as processed dairy, meat, and poultry products are examples of more complicated and thus challenging value-added products.

Purpose of Guidebook

This guidebook is designed to provide Cooperative Extension agents and other agricultural professionals a background on small-scale processing enterprise development in order to educate interested producers, processors, and communities. This first section discusses the concept of value-adding and how it contributes to sustainable agriculture, introduces four enterprise owners who share their experiences with small-scale processing throughout the Management Considerations section (Section 2) of this guidebook, and presents a description of issues involved in the start-up of a small-scale processing business. The Management Considerations section presents readers with the technical aspects of small-scale processing enterprises. Section 3, Community-Based Support for Value-Adding, discusses efforts where processors and community members collaborate to develop or support a local small-scale processing industry. Feel free to copy pages and develop handouts and overheads from this guidebook to educate producers, processors, and others about the issues. However, please cite the authors and the source.

A companion piece to the guidebook is Cornell's *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enter-*

prises, which contains a series of worksheets to determine if a new enterprise will be feasible in regards to personal and family characteristics, marketability, production needs, profitability, and affordability. References will be made to this guide throughout this guidebook. Ordering the guide is highly recommended. To order, request the Farming Alternative Program's *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises.* The cost is $8.00 (plus shipping), and it can be ordered from:

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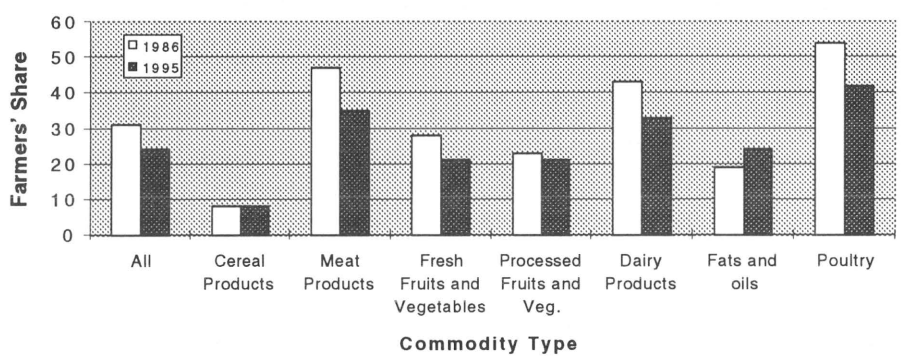
How does value-adding contribute to sustainability?

Small-scale and local food production, processing, and distribution was typical for the first settlers in America (Integrity Systems, 1997). A century ago, New England states produced 80 percent of their own food supplies (Sommer, 1980). More recently, at least 85 percent is imported from outside the state or nation. Over the past several decades, the U.S. food system has become increasingly industrialized and globalized (Integrity Systems, 1997). With the introduction of improved transportation, refrigeration, processing, and new technology, the relationship between the producer and the consumer has become very distant. Supermarkets developed and the consumer lost an awareness or connection with where their food came from and who produced it.

Farmers' share of food dollar declining

Figure 1: Farmers' Share of Consumer Food Dollar



Source: USDA, *Agricultural Statistics*, 1997

Value-adding offers farmers the *potential* to recapture a larger share of the food dollar. The farmer's share has decreased from 46 percent in 1913 to 24 percent in 1997 (U.S. Department of Commerce, 1975; USDA, 1997). By processing their own raw, undifferentiated agricultural products into higher-value consumer-ready products, farmers have the opportunity to retain income.

Furthermore, value-adding is a logical extension of many farm businesses. Unlike other alternative farm enterprises which require an enormous effort to create a market (e.g., exotic livestock), specialty foods have a proven track record in the market place, which is demanding more and more homestead and farmstead products.

Value-adding can help keep a farmer farming

The retail price of food has increased slightly, but according to a report by the Integrity Systems Cooperative Co., Americans still "pay the smallest percentage of their income for food of any high income country" (Integrity Systems, 1997, p. 3). Consumers enjoy the cheap dollar value of American products, but pay in other ways—through damage to rural economies, the environment, and personal health. For instance, small farms and farm-related businesses have declined with the concentration of agribusiness. Water quality, top soil, and wildlife habitat have suffered from monoculture production that increases soil erosion and run-off. Human health has been affected by pesticides in the food system and nutritionally deficient convenience products (O'Neill, 1997).

In response to these social, economic, and environmental concerns, the sustainable agriculture movement has emphasized reducing inputs, diversifying crops, conserving natural resources, and downsizing the scale of agriculture. But small, sustainable farmers still have to compete in conventional large-scale wholesale marketing channels. This has put them at an economic disadvantage and many have been taken over by development and large farms. Small farmers are under tremendous pressure to develop innovative business strategies to stay afloat. Value-adding is one such strategy.

Small-scale processing can make a positive contribution to the community

There is growing evidence that small-scale processing enterprises also make positive contributions to community development. Cornell University's Farming Alternatives Program's research asserts:

> "Decreasing the value of products at the farm level decreases the economic sustainability of farms. Farmstead food processing produces opportunities for farm households to capture larger shares of consumer food dollars than they could by selling undifferentiated agri-

cultural commodities. Likewise, non-farm-based, but locally owned and operated small-scale food processing enterprises are also valuable to rural areas since they create new markets for higher value farm products. In both instances, jobs can be created and new income generated in and for rural areas. Increased income and jobs can contribute to improved quality of life for farm families and rural communities." (Gillespie, 1995, p. i)

Indeed, the fate of small farms may be linked to non-farm small-scale food processors—the only segment of the food processing industry that is growing in the Northeast. (See Figure 2 below for details on the growth of small-scale food processing firms.) New York and Pennsylvania are among the top five leading states in the United States for the number of small-scale processors with up to 9 employees (County Business Patterns, 1997). Small-scale food processors tend to be embedded in their communities—often sourcing ingredients locally, hiring staff from the community, and selling

Figure 2: Small-Scale Food Processing Firms are Growing in the Northeast

Change in the Number of Food and Kindred Product Establishments (SIC 20) by Number of Employees in the Northeast (1987 and 1994)

	Number of Employees				
Year	**1–4**	**5–9**	**10–19**	**20–49**	**50–99**
1987	1113	636	707	780	458
1994	1381	703	698	740	420
Percent Change	+24.0	+10.5	–1.2	–5.1	–8.3

Source: County Business Patterns, USDC.

High multiplier effects

their products locally. The dollars generated from these activities tend to recirculate in the local economy longer than dollars generated from other businesses. Hence, food manufacturing or processing has a **high multiplier.** Dairy processing in New York State, for example, has an income multiplier of 2.61 versus 1.41 for general manufacturing (Jack, et. al., 1996). That is, for every $1.00 spent in

the local dairy processing industry, another $1.61 is spent elsewhere in the local economy (see figure 3 below). Input-output studies also show that processing farm products creates more additional jobs and income in a community than any other industry. Value-adding is therefore a key local economic development strategy.

Figure 3: Economic Multipliers, By Sector, New York State, 1991

	Total Income	Employment
Production Agriculture Industries		
Dairy	2.29	1.52
Crops	2.28	1.51
Nursery and wood products	1.78	1.39
Poultry and livestock	1.64	1.37
Agricultural Manufacturing Industries		
Dairy	2.61	3.53
Grains	2.16	2.58
Confectionery	1.72	2.11
Fruits and vegetables	1.67	2.09
Meat	1.65	1.99
Miscellaneous foods	1.49	2.00
Beverages	1.46	2.26
Bakery products	1.29	1.55
Other Economic Sectors		
Construction	1.66	1.57
Services	1.48	1.39
Other industry	1.42	1.33
Manufacturing (non food)	1.41	1.62
Retail and wholesale trade	1.40	1.30
Transport and utilities	1.31	1.48
Finance, insurance, and real estate	1.19	1.54
Mining	1.09	1.82

(see Jack, et. al., 1996)

Value-adding can capture the essence of community

Finally, value-adding captures the essence of communities. Locally produced specialty foods provide a window into the unique qualities of a community (one might see snickerdoodles and shoofly pie in one community, and grape pies and lamb kielbasa in another just down the road). Local value-added products can complement tourism goals by giving visitors a tangible "piece" of the place to take back home and share with others. This is an underrated and underutilized method of showcasing the community.

Case Examples of Small-Scale Processing Enterprises

The following is an introduction to four small-scale processing enterprises that will be referred to throughout the Management Considerations section.

Meadow View Farm
James and Alma Weaver, Kutztown, PA

James and Alma Weaver are Old-order Mennonites in Kutztown, PA, who have been farming since 1974 and currently specialize in hot peppers. Their Meadow View Farm features a greenhouse and farm stand operation with bedding plants, vegetable transplants, dried flower arrangements, crafts, and value-added hot pepper products such as their Hot Pepper Jellies and smoked peppers. The Weavers were growing and selling hot pepper varieties for 6 years before pursuing value-added hot pepper products. Years ago a recipe for hot pepper jelly raised Alma's curiosity. Test-marketing efforts with the jellies at the nearby Rodale Institute Research Center's annual Gardenfest in 1994 resulted in a smashing success. The Weavers decided to pursue the jellies as a means to generate more income. The only ingredient grown by the farm is the hot peppers. They work with a co-packer who locates sources for the products' other ingredients, such as the fruit that adds a unique flavor balance with the hot peppers, and handles all the processing.

A sampling of hot pepper jellies from Meadow View Farm.

James Weaver's upbeat and friendly personality, along with his business savvy, enhances Meadow View Farm's product quality and marketing endeavors. It is unusual to hear of an Old-order Mennonite farmer, whose mode of transportation is a horse and buggy, growing hot peppers, and James admits that previous to growing hot peppers, "the strongest thing we ever had was black pepper and sauerkraut." But James knew hot peppers were "in" and continues to keep up with the latest trends in the gourmet food industry. James enjoys the success of his business and explains, "All the people I have gotten to know, the friends I have made, the people who have liked the product, that has been very rewarding."

Sap Bush Hollow Farm

Adele and Jim Hayes, Schoharie County, NY

Sap Bush Hollow Farm comprises 160 acres in Schoharie County, NY. Owners Jim and Adele Hayes sell pastured chickens and turkeys, as well as retail cuts of pastured lamb, beef and pork, and eggs from free-range hens raised using rotational grazing practices. Adele works on the farm full-time and Jim has a full-time professorship in Animal Science at a local agricultural college.

Adele Hayes (right) processing pastured poultry on Sap Bush Hollow Farm.

The Hayes espouse the now popular method of pastured poultry developed by Virginian Joel Salatin, which includes keeping approximately 85 birds in a bottomless 10'x12' x2' pen. The pens are made of pressure-treated wood, aluminum roofing, and chicken wire. The chickens are moved to fresh pasture daily, where they dine on grass, bugs, and a supplement of (antibiotic- and hormone-free) broiler mix.

The Hayes do all their poultry processing on the farm. Their total production cost per bird is $2.50. The chickens are processed at seven and a half weeks old when they weigh approximately 4.5 pounds. They are sold at $1.60 per pound. Consumers come to the farm and pick up the fresh-dressed birds which have been stored in cold well water.

The Hayes have found that bringing the customer to the farm forms a bond of loyalty between the customer that is impossible to replicate in any other system of production and marketing. Adele loves to sell and spends quite a bit of time on the phone every week during the summer. Although they are personally dedicated to community service and education, they do feel this type of business can impinge on the family. They attribute the success of their enterprise to aggressive marketing, Adele's full-time presence on the farm, and Jim's agricultural and livestock knowledge.

ADDENDUM: The description of Sap Bush Hollow Farm on p.15 is largely paraphrased from a forthcoming Farming Alternatives Student Case Study entitled "Pickin Chickens" written by Shannon Hayes, an MPS student in the Department of Rural Sociology.

Side Hill Acres

Rita and Russell Kellogg
Candor, NY

Rita and Russell Kellogg of Candor, NY, nearly lost their business, which produced 8,000 pounds of goat's milk per week from 170 does, when their cheesemaker buyer filed for bankruptcy, owing the Kelloggs $25,000. They decided to sell over half the herd to recover losses and in 1993 began producing their own chevre (goat cheese) in addition to producing milk, meat animals, and breeding stock. Today, the Kelloggs are milking 98 does, and producing and selling over 600 pounds of cheese per week. They have expanded their product line to include pasteurized milk in short, wide containers, feta cheese, and small individual portions of cheese and Italian herb garlic cheese logs. They produce all of their own milk for their products.

Rita Kellogg of Side Hills Acres with her pasteurizer.

Tait Farm Foods

Kim Knorr-Tait
Centre Hall, PA

David and John Tait wanted to make their family farm in Centre Hall, PA, a sustainable, two-family operation based on sustainable practices and value-added products. Since 1980, Tait Farm Foods' production methods have ranged from sustainable to organic. Originally a pick-your-own raspberry and asparagus operation with low-spray apples,

Kim Knorr-Tait of Tait Farm Foods showcasing her products.

Christmas trees, and basset hounds, David Tait developed a raspberry *shrub* in 1987 when the farm was faced with a bumper crop of black raspberries. (Shrub is a colonial-era drink concentrate made with fresh fruit vinegars, sweeteners, and spices and used for cooking or for drinking when mixed with sparkling water.) David's brother John took over the Christmas tree and basset hound operations and developed Tait Farm Inc., a separate entity from Tait Farm Foods.

Kim Knorr-Tait, David's wife, joined the farm in 1990. Kim has been instrumental in developing the value-added enterprise further and expanding their product line to include 28 products such as fruit shrubs, fruit vinegars, ethnic sauces, preserves, chutneys, and dry mixes. In addition to their product line of value-added products, Tait Farm Foods offers pick-your-own asparagus and rhubarb and they retail low-spray apples and raspberries.

Originally they grew 100 percent of the ingredients for their products, but as they have grown it has been increasingly difficult to justify this when they can save considerably by buying from other sources. Today about 20 to 25 percent of the ingredients are grown on the farm. Kim emphasizes their commitment to sustainable agriculture by buying from regional growers as appropriate and by building some agriculture products back into the farm operation, such as berries and vegetables. Both David and Kim have been actively involved with sustainable agriculture organizations. David Tait passed away in 1997, but the foundation that he and Kim built together for Tait Farm Foods remains strong. Kim explains one of the key reasons for their success:

> "I believe it may largely have been due to the synergy between David and I. He was very artistic and creative. I am from southern California with a broader perspective. I didn't grow up on a farm. I come from a different culture, a different place."

The following is a description of the activities a start-up, small-scale processing business may undertake. It is difficult to generalize these activities for all businesses, because each enterprise's experience is unique. These activities can occur in a different order and can occur simultaneously. Some of these activities may not be necessary for some businesses, and additional activities not listed may occur for others. These activities are further detailed in the Management Considerations section. Refer to the page numbers listed on the right for more information on these topics.

Typical Value-Adding Start-Up Activities

Quality Products **pages 24-29**

- Decide to explore a value-added business endeavor, after receiving enthusiastic response from family and friends and from customers when the product was test-marketed at a farmers market.

- Discuss product development with university food science Extension specialists.

- Subscribe to specialty food journals, purchase books on the topic, spend time in the reference and periodicals sections of a public library.

Good Marketing **pages 30-37**

- Develop a business plan, market research plan, and bookkeeping records using Cornell's Farming Alternatives guide, through assistance from the local Small Business Development Center (SBDC) and Service Corps of Retired Executives (SCORE), the county Cooperative Extension office, or other economic development agencies.

- Determine most appropriate market distribution channels (based on market research) such as farmers markets, restaurants, gourmet food stores, mail-order catalogs, supermarkets, web sites, or wholesalers.

- Research brokers and distributors.

- Attend trade shows, talk with vendors, and research their products and marketing channels.

- Hire a qualified graphic designer to help with labeling, packaging, and sales literature design ideas.

- Use sales literature and sampling demonstrations at local gourmet food shops and farmers markets.

- Send out press releases to local newspapers to encourage articles.

Sufficient Capital **pages 38-44**

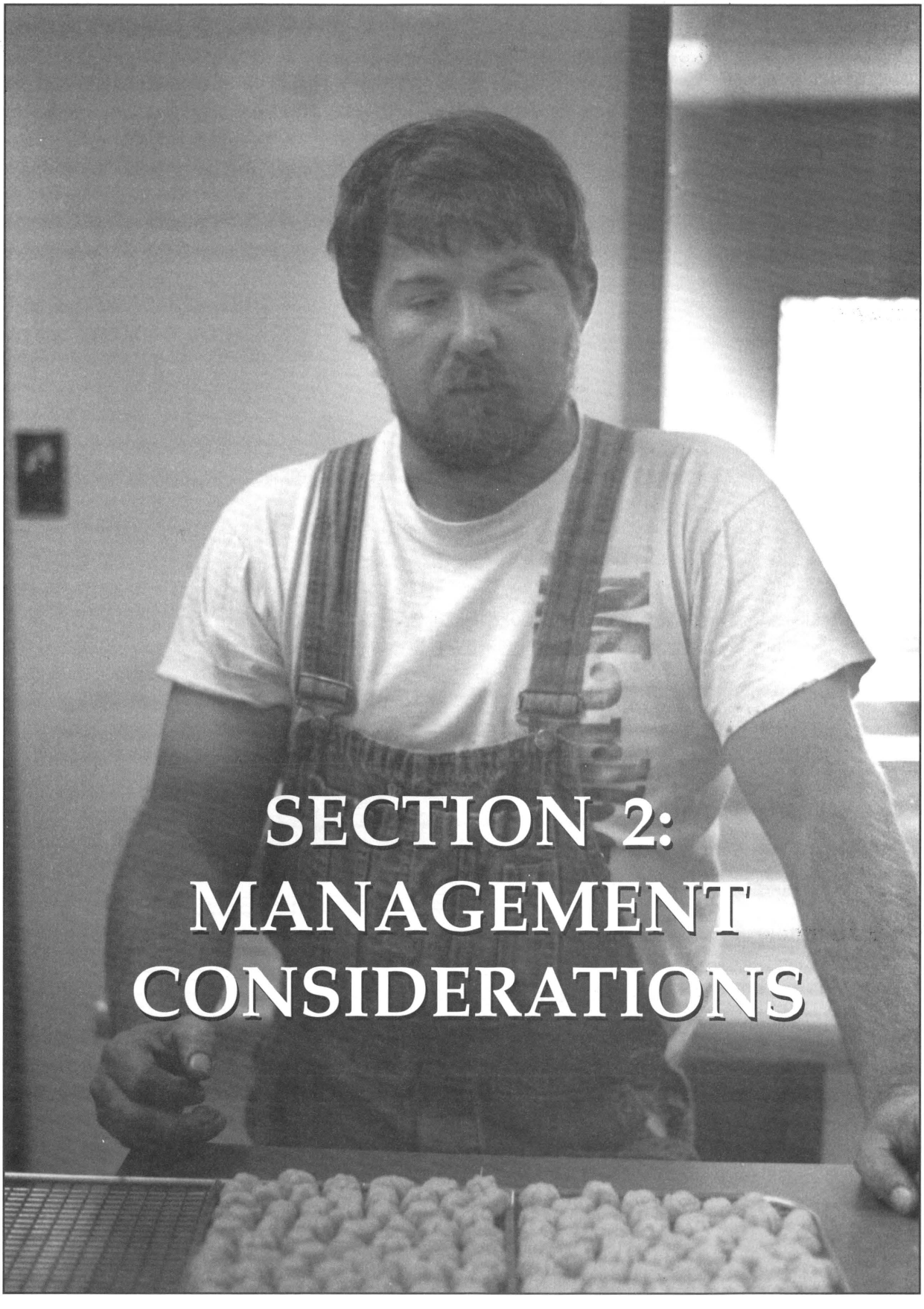
- Research co-packers and food processing incubators.
- Research sources of capital.
- Keep capital costs down

Food Safety **pages 44-48**

- Research and comply with federal, state, and local laws and regulations.
- Contact appropriate local, state, and federal food safety regulators regarding processing, packaging, and labeling.
- Become familiar with the Hazard Analysis Critical Control Points (HACCP) program by purchasing the New England Cooperative Extension Consortium's handbook and through attending industry or university trainings.

Other Legal Issues **pages 48-50**

- Determine the business legal structure, and if there is more than one business partner, develop a business partnership agreement.
- Purchase sufficient product liability and other necessary insurance coverage.
- Research registering trademark.



SECTION 2: MANAGEMENT CONSIDERATIONS

SECTION 2 MANAGEMENT CONSIDERATIONS

Research on small-scale food processing has identified some key ingredients of successful businesses. Cornell University's Farming Alternatives Program conducted a small-scale food processing survey in New York in 1996, where processors reported three major keys to success:

Keys to Success

- **Quality products,**
- **Good marketing, and**
- **Sufficient capital.**

This section discusses these three topics plus other important management considerations regarding **food safety** and other **legal issues.**

The top three limiting factors uncovered by the 1996 survey of small-scale processors are the costs of **advertising** and **liability insurance,** and **affording critical employees.** As with other businesses, the cost of doing business and other financial matters appear to be the most significant barriers. To follow up on the survey, a conference on technical and public-policy issues for small-scale food processing was held in January 1997 in Syracuse, NY. During the *Making it in the Northeast: Small-Scale Food Processing on the Rise* conference, processor attendees stressed the challenges they face: deciding where to focus their time and resources (labor, training, retention, compensation, cost-effectiveness), and how to expand their businesses while preserving their market advantage.

No Guarantees

Although value-added products offer possibilities for increased earnings, this is not a guaranteed path to profitability. More money may be coming in, but more time and resources (including money) are going out. This section outlines important management considerations of a challenging and competitive field.

Cooperative Extension staff and other agricultural professionals are expected to provide clients with advice and referrals. This section is devoted to suggestions and resources for advising and referring clients.

In addition to the *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises,* previously mentioned on

pages 9 and 10, this section draws upon information from the resources listed below. These recommended resources offer further information about many aspects of small-scale processing endeavors:

- Anonymous. 1995. ***Growing Your Own Specialty Food Business.*** Kingston, NY: New York State Small Business Development Center. Ulster County Community College, 651 Ulster Avenue, Kingston, NY 12401; (914) 339-1323.

- Gibson, Eric. 1994. ***Sell What You Sow: A Grower's Guide to Successful Produce Markets.*** New World. Carmichael, CA 95608-2610; (916) 944-7932. (Includes a chapter on specialty food products.)

- Hall, Stephen F. 1996. ***From Kitchen to Market.*** Chicago, IL: Dearborn Financial Publishing, Inc. 155 North Wacker Drive, Chicago, IL 60606-1719. Special Sales Manager: (800) 621-9621, ext. 4384.

- Nelson-Stafford, Barbara. 1991. ***From Kitchen to Consumer, The Entrepreneur's Guide to Commercial Food Production.*** San Diego: Academic Press/HBJ.

- Richards, Keith and Deborah S. Wechsler. 1996. ***Making It On The Farm: Increasing Sustainability Through Value-Added Processing and Marketing.*** Elkins, AR: Southern Sustainable Agriculture Working Group Publications. P.O. Box 324, Elkins, AR 72727.

For schedules of conferences, short courses, and publications on small-scale food processing topics, contact:

- Cooperative Extension

- Local and state colleges and universities

- State departments of health and agriculture

- Regional nonprofit organizations such as the Pennsylvania Association for Sustainable Agriculture (PASA) at (814) 349-9856, the New York Sustainable Agriculture Working Group (NYSAWG) at (716) 232-1463, and Cornell University's Farming Alternatives Program at (607) 255-9832.

Quality Products

Test marketing

Test marketing at farmers' markets, county fairs, and festivals can help a business develop high-quality value-added products. However, businesses should be aware of food safety requirements before test-marketing at any sales outlet (Gibson, 1994). James and Alma Weaver test-marketed their hot pepper jellies at an annual festival at the Rodale Institute Research Center, located in the same town as their farm. James exclaims,

> "People went crazy over it. We hadn't planned on getting into this enterprise until people raved about it so much."

High-quality products can be refined and improved through assistance from:

Product development

- Chefs
- Classes at local schools
- Culinary colleges
- Food and nutrition consultants
- Freelance product developers
- Honest friends and customers who taste-test the products and offer feedback
- Independent food technology labs
- University food science Extension specialists

Rita Kellogg worked closely with the staff from the Cornell Department of Food Science Dairy Pilot Plant and a former employee of another cheesemaker. Rita notes, "If it weren't for them, this business would not be in existence. They provided guidance and understanding. They taught me about pasteurization temperatures, pH, and even how to clean equipment and facilities." (Note: The cover photo for this publication was taken when Rita was learning the cheese-making process at the Dairy Pilot Plant at Cornell.)

It is crucial for a business owner to decide whether the product is unique enough to survive. Many value-added ideas develop from homemade recipes. Compliments and requests from friends and relatives encourage creators to consider developing a business around an activity that is enjoyable to them and appreciated by others (Richards and Wechsler, 1996). It is important that the business chosen be something the entrepreneur enjoys doing, given the

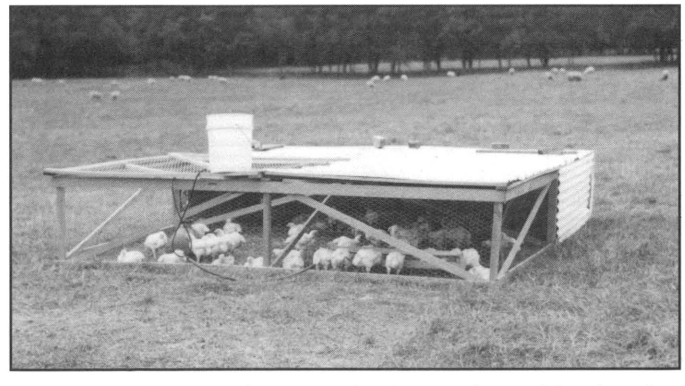
investment of time and money in running a value-added business. But it is equally important that the newly developed product is different from other products already on the market (Gibson, 1994).

> Kim Knorr-Tait asserts, "A business has to do what no one else is doing in order to succeed. A key to success is being unique and able to differentiate yourself."

However, some niches have hidden dangers. A product may be too unique and the market too small. Unusual products must be "pushed" (introduced) in the marketplace, which can cut into profits. "Pull" products, on the other hand, are already in high demand, but the market could be crowded with competitors. Thus finding a defensible niche within a pull product category is a common marketing strategy. Adele Hayes says, for example, "Sap Bush Hollow Farm began processing and selling chicken because everybody eats it." However, using Holistic Resource Management and pasture poultry methods, Sap Bush Hollow is producing and marketing a common product in an uncommon way—hence the differentiation needed to survive in a crowded market.

The quality of a product from a small-scale business is an important advantage over companies producing large quantities of ordinary processed foods. Small-scale, batch processing businesses find their market niche with the growing number of customers looking for fresher, better tasting, and healthier products (Richards and Wechsler, 1996). Farm-based businesses appeal to customers' desire to connect with farm life and a sense of community. Customers appreciate knowing how much their support helps the farm and the environment. Businesses can promote their sustainable practices or organic certification (Richards and Wechsler, 1996). According to the Farming Alternatives Program's survey, processors listed quality advantage, unique product, market niche, and increased net profit as strengths of value-added products.

For Sap Bush Hollow Farm, consistent quality of fresh poultry is the name of the game.



Quality in the meat business begins with good husbandry. Pastured poultry at Sap Bush Hollow Farm.

"Without the taste difference between our chicken and what you find in the grocery store" says Jim Hayes, "we'd be out of business!"

Consistent quality, supply, delivery, and service will secure a loyal customer base. It only takes one bitter or stale bite of a product to turn a customer away. Using seconds, such as overripe fruit or vegetables, can prove the rule "penny wise, pound foolish"—and could open the door to liability issues. However, using produce with minor defects, or using excess produce, offers ways to gain sales from resources that would not normally offer value. Keep in mind that high-quality products depend on top quality ingredients (Richards and Wechsler, 1996). Businesses should get to know customers' taste preferences and tailor the product to meet these needs (Hall, 1996).

Kim Knorr-Tait explains, "Because we are small we can adapt to market trends. We can be flexible with our production system. We do processing every week based on our orders. We have to carry enough raw product inventory. We do what is needed."

Resources on Quality Products

Statewide Food Associations (See p 57 for list in the Northeast)

Community Food Processing Incubators (FPIs):
Community FPIs provide commercial-scale processing equipment and technical assistance for start-up businesses. The idea is to incubate, or support and nurture, a start-up business during its early, more vulnerable years when it lacks capital and expertise. Use of an FPI is often the answer when zoning, or food handling and sanitation concerns, make it impossible to do the preparation in the household kitchen or farm market prep area. See Section 3 for more information on this and other community-supported initiatives.

Other value-added businesses:
In the beginning, James Weaver found that study groups organized by Cooperative Extension were a valuable way to learn from other growers' and processors' experiences. Tait Farm Foods appreciated support from the state Department of Agriculture, the Penn State Department of Food Science, and Cooperative Extension, but gained the most valuable information from the experiences of similar businesses.

Specialty food trade shows:
Attending a **trade show** before participating in one provides numerous opportunities for research and networking. At a trade show, prospective processors can learn sources of supplies, opportunities and challenges faced by other businesses, competitors' pricing structures, gain ideas on types of products to develop, and ideas on how to market and promote them. Processors should contact the Marketing Division of their state Department of Agriculture, which has a list of trade groups and shows. Stephen Hall's *From Kitchen to Market* includes lists of trade shows, trade journals, and trade associations. A short list of key food trade shows in the Northeast is listed in the box below.

Tait Farm Foods keeps up with food trends through membership in trade associations, participating in trade shows, and hiring a product development manager. Kim emphasizes keeping up with food market trends and always "shmoozing and selling."

Trade Shows: Opportunities to Schmooze

Boston Gift Show
Boston, MA
(800) 272-SHOW

The Fancy Food Show
New York and California
(212) 482-6440

Innovative Foods Expo
Portland, ME
(207) 842-5504

National Food Distributors Association Convention
Baltimore, MD
(312) 644-6610

National Summer Convention and Candy Expo
Washington, DC
(202) 463-2124

Natural Products Expo East
Baltimore, MD
(303) 939-8440

New York International Gift Fair
New York, NY
(800) 272-7469

Nowco International Gift Basket and Confection Seminar
King of Prussia, PA
(800) 233-8302

Philadelphia National Candy, Gift, and Gourmet Show
King of Prussia, PA
(610) 265-4688

Washington Gift Show
Chantilly, VA
(800) 272-SHOW

Other Resources on Quality Products

- ***Encyclopedia of Associations,*** Gale Research Inc., Thomas Corporation, 835 Penobscot Building, Detroit, MI 48226; (313) 961-2242. Information on food organizations; generally available at larger public libraries.

- ***Food Marketing Institute,*** 800 Connecticut Ave. NW, Suite 400, Washington, DC 20006; (202) 452-8444. Nonprofit trade association involved with industry relations, conventions, research, and education.

- ***Food Processing Center,*** Marketing Office, 60 H.C. Filley Hall, East Campus, P.O. Box 830928, Lincoln, NE 68583-0928; (402) 472-5791 or 402-472-5791. Services include operations plan development, business- and marketing-plan development, expert marketing assistance, financial analysis, marketing research, media and promotion-plan development, production design and layout, and technical troubleshooting.

- ***Institute of Food Technologists***, 221 North Lasalle Street, Chicago, IL 60601; (312) 782-8424.

- ***The National Association of Specialty Food Trades;*** (800) 627-3869.

- ***The New York State Food Venture Center*** at Cornell University, New York State Agricultural Experiment Station, Geneva. Wide range of services including sensory evaluation, analytical services, packaging, labeling, product development, marketing, financial analysis, pilot plant. Contact Olga Padilla-Zakour, NYS Food Venture Center, Food Science & Technology, Geneva, NY 14456-0462; (315) 787-2273.

- ***Specialty Dairy Information Packet,*** Farming Alternatives Program, Department of Rural Sociology, Warren Hall, Cornell University, Ithaca, NY 14853; (607) 255-9832.

- ***Thomas Food Industry Register.*** Thomas Publishing. 5 Penn Plaza, New York, NY 10001; (212) 629-1130. Lists food products, equipment and supplies, wholesalers and distributors, warehouses, brand names and trademarks, company profiles, trade associations and conventions; generally available at larger public libraries.

Industry trade journals
Subscribing to food-trade publications and business magazines enables a business to keep up with product trends and learn more about the specialty-foods field:

- ***Delicious!*** New Hope Communications Inc., 1301 Spruce St., Boulder, CO 80302; (303) 939-8440.
- ***Food and Beverage Marketing,*** Attn: Circulation Dept., P.O. Box 470, Fort Atkinson, WI 53538-0470; (920) 563-1743.
- ***Gourmet News,*** P.O. Box 3047, Langhorne, PA 19047-3047; (215) 788-7112.
- ***Gourmet Retailer,*** P.O. Box 3079, Langhorne, PA 19047-9179; (305) 446-3388.
- ***Health Foods Business,*** Reader Service Center, 650 South Clark, Chicago, IL 60605-1799; (920) 563-1743.
- ***Natural Foods Merchandiser,*** New Hope Natural Media Inc., 1301 Spruce Street, Boulder, CO 80302-4832; (303) 939-8440.
- ***Organic Food Business News,*** Hotline Printing and Publishing, P.O. Box 161132, Altamonte Springs, FL 32716; (407) 628-1377.
- ***Whole Foods,*** 3000 Hadley Road, South Plainfield, NJ 07080; (908) 769-1160.

Good Marketing

Determine if there is a market for the product and research the dimensions of the market. About 80 percent of the new food products introduced each year fail (NYSBDC, 1995). Reasons for failure include too similar to a product already on the market, misjudging what consumers really want, and marketing support pulled too soon. According to *Sell What You Sow*, "The specialty food marketing business is competitive and complex. Approximately three new products come and go in a typical grocery store each day" (Gibson, p. 118). Possible preventative measures to lower

Excellent signage is part of Tait Farm Food's forumla for successful marketing.

the chances of failure are market research and a business plan (NYSBDC, 1995). James Weaver admits,

> "We got into this a little bit quicker than we had anticipated. . . . We are now suffering from a lack of planning."

Market research

However, Kim Knorr-Tait warns that if you suggest market research to farmers they may think this is unrealistic advice. She does not believe that small farmers have the time or finances to conduct the kind of extensive market research that larger companies conduct. Kim says,

> "We started our value-added business when we had an

> excess production of frozen raspberries. We gave out samples of them at our farm. We made it and then tried to sell it. We haven't done any market research. This is more for big business. Doing market research can be ridiculous, it is a matter of scale. You need to be savvy and resourceful."

Kim does not argue against the idea of a basic business plan. In fact, she stresses, "I would really recommend putting together a business plan with one, three, and five-year goals and checking back in with this each year." But she feels it is not always realistic for a farmer to do extensive market research when he or she is just starting out. Kim suggests a facilitation role for Cooperative Extension in helping new businesses brainstorm about the range of possibilities and then prioritizing and focusing those possibilities into a business plan. Kim asserts,

> "Cooperative Extension needs to understand the range of possibilities for a new business. They need to have a broad understanding of the market and market channels. They need to know the specialty food industry, co-packer possibilities, sources of equipment, funds, and other up-to-date information. Each situation is unique and Cooperative Extension needs to be able to work with this."

By using Farming Alternative Program's *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises,* farmers and other prospective food manufacturers can gather information and begin to create a business plan for their enterprise. They can also use information accumulated while doing the worksheets to guide basic market research efforts.

Cooperative Extension educators and other professionals can assist a business in the process of understanding the marketplace, identi-

MARKET RESEARCH
To Do or Not To Do!

The debate about market research (as well as business planning in general) has gone on for years. Business planners and counselors believe that market research is essential, while many successful entrepreneurs counter that it can be a futile exercise and waste of resources. The authors are aware of cases where formal market research in the form of surveys led businesses and public projects awry, and in other cases was essential to the success of the endeavor. It is hard to know what to do especially with limited resources.

In making the choice of whether to conduct market research we offer the following advice for small-scale food processors: keep it simple and cost effective; make it objective—beyond your friends and family; and finally, there is no better market test than repeat sales. Therefore, if it is possible, get a prototype product in the market fairly quickly (e.g., at a farmers' market) and use the feedback and sales to dictate how to proceed. Will canned blueberry-rhubarb pie filling sell at the farm stand? Why not simply put a sampler out for customers to try? This is pure and simple market research.

—The authors

fying start-up costs, developing a marketing budget, determining whether or not a business can be profitable, and dictating how to promote and sell the product (NYSBDC, 1995).

The United States Small Business Administration (SBA) administers the Small Business Development Center (SBDC) Program to provide management assistance to current and prospective small business owners. Local Small Business Development Centers can help businesses develop basic market research plans and business plans.

Business development resource agencies

Prospective processors can contact their local Small Business Development Centers which offer many services and can refer them to the local Service Corps of Retired Executives (SCORE) chapter. Counselors from SBDC are trained to provide information on business and marketing plans; market research; funding options and strategies; referrals to banks, other lenders, consultants, and professionals. SCORE is a volunteer organization staffed by retired businesspeople. Tait Farm Foods has utilized SCORE services.

Local libraries provide books, magazines, newspapers, and trade journals on particular food categories and census information (NYSBDC, 1995). The office that deals with market development within the state's Department of Agriculture can provide marketing and promotion assistance. Rita Kellogg received accounting and marketing assistance through students at the Cornell School of Hotel Administration.

Explore market distribution channels for the product. Market research plans can help determine which market is the most appropriate for specific products and what consumer audience to target (NYSBDC, 1995). Rita Kellogg retails her products to over 100 accounts, mostly supermarkets but also some specialty and health-food stores. She sells at a local farmers' market for exposure more than sales. Tait Farm Foods, with 250 accounts, has scaled back on wholesale efforts and direct markets its value-added products to an extensive list of historical sites and upscale gourmet-food shops in the Northeast and local farmers' markets. In addition to its on-farm retail store, it has a retail mail-order catalogue, with 10,000 customers on the list. Kim admits that having unusual products is both a strength and a barrier because it requires extensive marketing and education.

Selling direct has its advantages, but selling off the farm can have its drawbacks. Sap Bush Hollow's enormous success in bringing

customers to the farm to pick up poultry products has come with a price. "Sometimes people just drive in whenever they feel like it," says Adele Hayes, referring to the loss of privacy.

Adele Hayes (far right) entertains customers and sells fresh pasture poultry from her farmhouse porch.

Once a business expands beyond the territory it can deliver and service, the owners may want to consider working with brokers or distributors. Brokers and distributors are interested in products that have a proven customer demand. Brokers and distributors can enhance a business's ability to stay afloat in a competitive arena. Food brokers sell food products for processors on commission. Distributors buy the product from the processor and sell it to the retailer. Reputable brokers and distributors can be found by asking businesses with similar products for recommendations, at trade shows, or in trade journals. James and Alma Weaver rely on brokers (and other processors) to sell their hot pepper jellies to gourmet food shops in Pennsylvania, New York City, and Delaware.

Expansion may require middlemen

Initial distribution channels for value-added businesses may include direct marketing through:

- Farmers' markets (see section 3 for more details)
- Gourmet and specialty shops
- Health-food stores
- Local food cooperatives
- Mail order
- Restaurants and catering businesses
- Roadside stands
- Supermarkets
- Community-supported agriculture
- Upscale delis and grocers
- Web site