

**Specialty
foods' big
secret:
Packaging**

Wholesalers traditionally work with large volumes of goods over long distances, but a growing number of specialty-food wholesalers deal with smaller quantities. Selling to wholesalers can work well for a processor who does not have the marketing savvy for direct marketing or who is isolated geographically (NYSBDC, 1995).

Processors sometimes reinforce each other's marketing efforts by introducing fellow processors' products in stores they frequent with their own products. As James Weaver notes, "A good friend of mine who sells [my] hot sauce . . . mentions my product at other retail outlets where he sells his hot sauce."

Label design and packaging should represent the business in an attractive and appealing manner. Product design and packaging provide the greatest opportunity for product promotion. Some experts say that the big secret to specialty food marketing is packaging. Processors can research similar products' design and packaging, materials and prices, shipping costs, and appropriate package size for consumers. Because consumers associate certain packaging features with particular products, Eric Gibson, author of *Sell What You Sow*, recommends to processors, "Package your product similarly to other products on the market for your product category" (Gibson, p. 120). In order to keep up with the trends, Gibson advises processors to visit stores on a regular basis to see how similar products are packaged.

For new products without a national marketing campaign, shelf image is everything. Depending on how a business is positioning its product, packaging will play a key role in sales. Whether positioned as a high-end gourmet food or a campy farmstead condiment, packaging and labeling will sell the product. Spending a little more on quality packaging and labeling can pay dividends.



Tait Farm Foods' labels feature public-domain woodcuts from the late nineteenth century.

Tait Farm Foods does its own labeling and packaging. A graphic designer lays out the labels, and Kim writes the copy. An efficient and consistent system makes it easy to integrate new items into the product line.

Keep in mind that the FDA requires nutritional analysis and labeling for items that are sold out of state. This requirement needs to be taken into consideration when deciding on the size and scope of the market, since the nutritional analysis means additional cost in getting the product out into the marketplace. It is a good idea to be aware of this when writing the business plan (under long-term goals), but to start marketing in a small, controllable geographic area, usually within the home state.

Finally, tell a story. Remember that a consumer's taste in specialty foods says as much about his or her sense of style and ego as it says about his or her palette.

Advertising and promotion opportunities exist for small budgets. Sending out samples, offering tasting opportunities through demonstrations, or merchandising at point-of-purchase locations are very effective promotional methods (NYSBDC, 1995). Side Hill Acres has never been rejected by buyers after sending out samples of its goat cheeses. James Weaver shares his experience with taste testing:

'If they taste it, they can't resist it. We tried to develop something that the whole family can eat. Our advertising information says, "Alma Weaver's Hot Pepper Jellies, a pleasant experience.'"

Product sales literature and a dynamic sales pitch are essential ingredients of a sales effort. A sales package may consist of a price list, a catalog sheet describing the product and the company, photographs and stories, and point-of-purchase (P.O.P.) material. P.O.P. examples include tent-shaped cards for tables at restaurants and bed-and-breakfasts, posters, small signs for store shelves, and neck tags with recipes or other product or company descriptions.

Sales literature should be a professional, top-notch representation of the product line. It can be presented at trade shows, to potential retail and wholesale buyers or distributors, in mail-order catalogs, and at the site of customer purchase (Hall, 1996). The accompanying sales pitches should be developed and rehearsed in advance. Product labels, packaging, and sales literature should have consis-

Tell a story

**Samples and
taste testing**

**Sales
literature**

Advertising versus promotion

tent designs. The price list should be printed separately from the catalog. In this way, the entire catalog does not have to be reprinted each time pricing changes. The catalog can be printed more professionally while the price list can be changed easily and inexpensively.

Generally, advertising through mass media channels, such as television, radio, and newspapers, is an expensive and inefficient way to reach customers. However, free publicity through interviews and articles is highly effective. Newspaper articles on James and Alma Weaver's Hot Pepper Jellies increased their mailing list and sales. Local public-radio stations and some local or specialized newspapers that reach more upscale or otherwise targeted customers can also be effective advertising outlets (NYSBDC, 1995). Farm businesses can also offer photos and displays of the farm at the place of customer purchase or can offer on-farm tours and festivals. Customers enjoy learning about real life on a farm. There are many creative ways to promote a product through labels, events, and personal exchanges about what makes this product special (Richards and Wechsler).

Kim Knorr-Tait describes their promotional efforts:

"We have a newsletter that goes out twice a year. We have display ads in newspapers. We have a product on sale every week at the farmers' market. We use recipe tags and tear-offs, booklets, historical and product descriptions on the labels with our mission statement, and 'shelf talkers' [a type of P.O.P material]. We have a lot of promotional materials and people love them. We spend a lot of money on this. We have a strong local following."

James and Alma Weaver send out flyers to the 1,000 customers on their mailing list to promote products available at different times of the year. A Web site advertises their products. They hold an annual two-day "Chili Pepper and Heirloom Tomato Field Excursion" with approximately 2,500 attendees, as well as an annual watermelon day. The local park kicked off a Hot Pepper Food Festival on one of the same days as the excursion, so the events reinforced each other's publicity efforts. Their pick-your-own operation runs every Friday and Saturday during the month of September. Through all this promotion and advertising, their farm is well known and supported in the community.

Other sources for developing market research plans and business plans:



- County Cooperative Extension offices and state Departments of Agriculture have materials available for developing business plans.
- Hevron and Hevron, *Business Success: A Guide to a Proper Beginning*, c/o John Hevron, 260 South Plymouth Avenue, Rochester, NY 14608; (716) 232-2956.
- Worker Ownership Resource Center (WORC), 151 Genesee Street, Geneva, NY 14456; (315) 789-5091 or fax (315) 789-0261.
- 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.

An often-overlooked resource is the small business section of local libraries and bookstores, which offer excellent books on topics from Advertising to Zoning laws.

Other Good Marketing Resources and Contacts:

- *The Journal of Food Products Marketing*. Haworth Press Inc., 10 Alice Street, Binghamton, NY 13904; (800) 342-9676. \$40 for individuals, \$75 for institutions.
- *The Journal of Marketing*. American Marketing Association. 250 South Wacker Drive, Suite 200, Chicago, IL 60606; (312) 648-0536. \$75 for non-members, \$40 for members, and \$150 for institutions.
- *The Journal of Marketing Research*. American Marketing Association. 250 South Wacker Drive, Suite 200, Chicago, IL 60606; (312) 648-0536. \$75 for non-members, \$40 for members, and \$150 for institutions.
- *Mail-Order Gourmet*. E.C. Communications, P.O. Box 1085, New York, NY 10011. Published by Evelyn Ehrlich.
- Breen, George and A.B. Blankenship. *Do It Yourself Marketing Research*, 2nd Edition. New York: McGraw-Hill. Tells the small

business owner how to do marketing research simply and inexpensively. Describes kinds of research, methods of collecting information, and how to write a report or select an outside research firm.

- Husch, Tony and Linda Foust. *That's a Great Idea! The New Product Handbook*. 1987, Berkeley, CA: Ten Speed Press. Covers market research, testing, financial feasibility, patents and trademarks. Includes a resource guide.
- Levinson, Jay Conrad. *Guerilla Marketing*. 1984, Boston: Houghton-Mifflin Company. Gives excellent ideas for marketing within a small budget. Encourages business owners to try different ideas. Emphasizes the importance of preparing and following a good marketing plan.
- Long, Steve and Cindy. *You Can Make Money From Your Arts and Crafts*. 1988. Scotts Valley, CA: Mark Publishing. A guide for craftspeople on how to go into and stay in business. Includes information on craft shows, display techniques, mail-order sales, and wholesaling craft items. Appendices contain lists of nationwide promoters, mailing list brokers, and publications for craftspeople.
- Pope, Jeffery L. *Practical Marketing Research*. 1981. New York: AMACOM. Reference for conducting market research. Takes the reader step by step through a research project from cost analysis, question selection, and interviewing, to how to write the final report. Gives techniques for solving specific marketing problems, such as product testing and product positioning research.
- Simon, Julian. *How to Start and Operate a Mail-Order Business*. McGraw Hill Publishing, 1221 Avenues of the Americas, New York, NY 10020; (212) 512-2000.

Sufficient Capital

Successful businesses start small. The less money a start-up business has, the more the owners must rely on their creativity. In *Making it on the Farm*, the secret formula of the successful operations interviewed was to invest ingenuity first, labor second, and money third. "They established their products, developed markets, worked out production procedures, and learned the peculiarities of

their industry before building permanent facilities or hiring extra labor. As their sales and expertise increased, they slowly invested more money into their business" (Richards and Wechsler, 1996).

A word of advice to new businesses from Stephen F. Hall in *From Kitchen to Market*: "You must have an independent source of income to successfully start your own gourmet food marketing business! You should have sufficient capital available to cover all your costs for the first three to five years. This includes all normal living expenses" (Hall, p. 21). Hall suggests minimum start-up costs of approximately \$25,000 to \$100,000 each year for the first three to five years, which includes production, packaging, labeling, advertising and promotion for one product. This estimate also assumes that the processor will be doing his or her own administrative, invoicing, and clerical work and making sales calls.

James and Alma Weaver's first year with a co-packer cost approximately \$7,000 plus interest for the co-packer and other costs of the business. James now wishes that he had had \$10,000 on hand in the beginning. Tait Farm Foods' starting budget was about \$30,000 and their existing budget is about \$200,000. They spent \$2,000 initially on equipment, borrowing \$30,000 a few years later to expand their product line. This included money for used equipment, label development, and other development costs.

An increasingly strict regulatory environment in meat processing and sales primarily reflects concerns in the industrial sector, but can have dire consequences for small-scale operators like Sap Bush Hollow Farm. "For example," says Adele Hayes. "The government is presently considering a law to require all processors to radiate their meats. If this passes, we will go [out of business]. There is no way we can afford that sort of equipment."



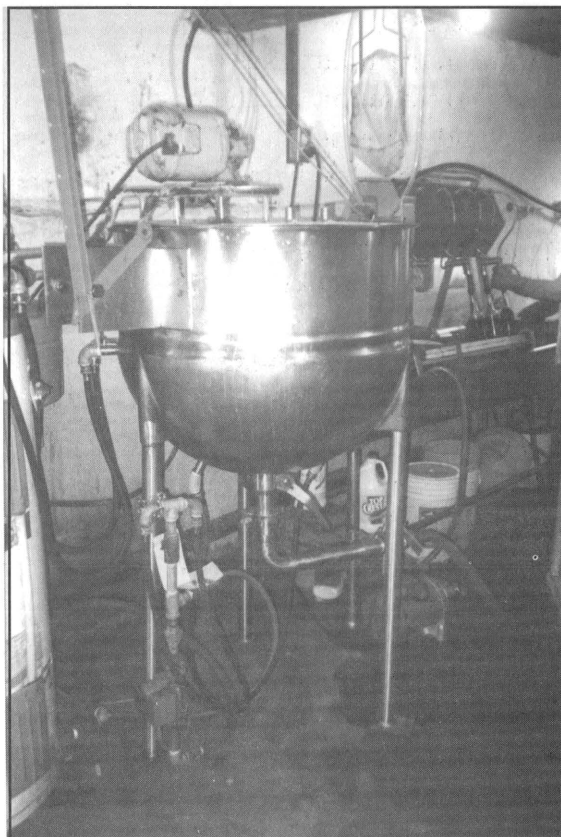
Tait Farm Food's farm manager, Sabine Carey.

Start-up capital

Warning: Regulation adds costs

Reducing capital costs

There are ways to save money in the beginning in the area of processing facilities. For example, processing equipment can be borrowed or purchased, a co-packer can process the products, or processors can join up with community food processing incubators (FPIs). See section three for more information on this and other community-supported initiatives. Used processing equipment may be found at university salvage centers, food manufacturers (look in the Yellow Pages), auctions, or in local penny-savers and swap sheets. Tait Farm Foods bought its initial processing equipment from the salvage center at Penn State University. They are currently considering purchasing some used equipment from a local processor upgrading its facilities.



Tait Farm Food's enormous steam kettle.

Resources for Reducing Capital Cost:

- *Small-scale food processing: a guide to appropriate equipment.* 1992. London, U.K.: Intermediate Technology Publications.
- Cooperative Extension offices, local schools, churches, the Lions Club or Rotary, restaurants, and bakery kitchens have certified kitchens and may be available to rent (discussed in section 3). University food science departments sometimes offer facilities and support for start-up businesses.

Rita Kellogg utilized the Cornell Department of Food Science Dairy Pilot Plant in her business's beginning stages. Once she developed her product and established a market, she moved her production to the Side Hill Acres farm. Cooperative Extension and a senior inspector for the New York State Department of Agriculture and Markets Division of Milk Control assisted in the design of the on-farm cheese plant.

Co-packers can process, package, and label products. A contract packer, or co-packer, is a professional food processing firm that manufactures for a small business, based on its recipe or formula. This saves the processor time and money. Co-packers can be found using the *Thomas Food Industry Register* (listed earlier), food industry contacts, or in the Yellow Pages under bottlers, food manufacturers, or similar headings.

Another resource for locating co-packers:

- *Directory of the Canning, Freezing, and Preserving Industries*. Edward E. Judge and Sons, Inc. Westminster, MD 21157.

James and Alma Weaver use a co-packer located 50 miles from their farm. They have the co-packer process the minimum required, and have the option of increasing their scale as the business grows. James explains,

"We always go there the day he makes the jellies because Alma tastes every batch. It would take too much money for us to process it. I would need to purchase stainless steel facilities. With a co-packer, I can focus more on selling my product. We also have a private firm producing the labels and then we hand label them onto the jars."

In addition to their on-farm processing facilities, Tait Farm Foods utilizes co-packer facilities for their jams and chutneys. They send recipes for dry mixes to a western Pennsylvania organic mill operation which does the mixing using Tait Farm Foods' own ingredients. These dry mixes add variety to the Tait Farm Foods product line.

Labor costs can be kept to a minimum in the beginning through help from family and friends, but businesses may need to eventually consider hiring outside labor. Russell Kellogg provides Side Hill Acres farm with a stable full-time income off the farm. James and Alma Weaver's family provides the labor for their operation. Three of their children and James' parents have helped out over the years, and (pending their interest) three young sons represent future labor sources. In addition to Kim's full-time employment with the operation, Kim's father-in-law volunteers up to 40 hours per week. Other volunteers from the community also help out. Tait Farm Foods' workforce includes four full-time employees and 4 to 6 part-time employees year round. Extra help is hired during the



**Labor
management**

Expansion financing

Christmas season. They are pleased with the staff they have hired from the community. Kim explains,

"We are getting a nice group of people here by being connected in the community. We have people who are really into being here. . . . People come here because it is a good place for them to be. We also have an open-book management. We have weekly meetings about the business and the money. Everyone is very well informed. No one is in the dark."

Once a business has some experience, it may need more capital for equipment or supplies to go to the next level. According to Barbara Nelson-Stafford, author of *From Kitchen to Consumer*, "Insufficient financing is the major cause of small business failure." Start-up expenses include legal fees, security deposits, investments in equipment, stationery and business cards, and initial inventory. Expenses for operating a business include payroll, taxes, insurance, rent, office supplies, inventory, and telephone bills. Future expenses might include expansion, upgrading equipment, getting through seasonal downturns in the industry, and business vehicles.

Cash-flow statements can help a business determine when and how much needs to be borrowed. Generally a business should only consider borrowing to increase sales or decrease costs. A business plan is required for obtaining certain loans. Financing options beyond traditional lending institutions (debt financing) and personal funds include:

- Equity financing (e.g., investor-owner);
- Receivable financing;
- Leasing;
- Program-related investments (PRI) (when foundations invest in for-profit businesses which offer some social benefit);
- Local venture capital;
- Angel networks (which invest in high-risk environmentally responsible businesses);
- Credit cards;
- Revolving loan funds (e.g., community development corporation or public economic development agencies); and
- Other informal sources of capital, such as family, friends, churches, and other organizations.

Business owners who rely on informal sources of capital should make it a business transaction by creating an agreement in writing. They should plan on paying interest, even if it isn't asked for.

Agencies that can help a business locate financial assistance include the Small Business Administration (SBA), Small Business Development Center (SBDC), and the Department of Commerce, (202) 377-2000. Prospective processors should contact the SBA or their state SBDC for local offices. Through SBA-guaranteed loans, the federal government guarantees bank loans to small businesses. SCORE can provide direct assistance in preparing loan documentation.

Lead Small Business Development Centers

University of Connecticut, Storrs, CT, (203) 486-4135
University of Delaware, Newark, DE, (302) 831-2747
Howard University, Washington, DC, (202) 806-1550
University of Southern Maine, Portland, ME, (207) 780-4420
University of Maryland, College Park, MD, (301) 403-8300
University of Massachusetts, Amherst, MA, (413) 545-6301
University of New Hampshire, Durham, NH, (603) 862-2200
Rutgers University, Newark, NJ, (201) 648-5950
State University of New York, Albany, NY, (518) 443-5398
Department of Development, Columbus, OH, (614) 466-2711
University of Pennsylvania, Philadelphia, PA, (215) 898-1219
Bryant College, Smithfield, RI, (401) 232-6111
Vermont Technical College, Randolph Center, VT, (802) 728-9101
Department of Economic Development, Richmond, VA,
(804) 371-8258
West Virginia Development Office, Charleston, WV,
(304) 558-2960

Processors can also get assistance with enterprise analysis and record-keeping from the SBDC and SCORE (Senior Corps of Retired Executives). Once a business is established it needs to develop an inventory control system, records of customer accounts, or payroll records. Simple, well organized, and detailed records help producers make appropriate decisions (Richards and Wechsler, 1995).

Side Hill Acres secured an SBA-guaranteed loan from the Tioga State Bank, and other capital sources from the Southern Tier East Regional Planning Board Micro Loan Program and the Broom County Industrial Development Agency for building construction and equipment purchases. Tait Farm Foods' only sources of funding have been secured through a bank, using the mortgage on its highly valued land near State College, PA. Meadow View Farm borrowed money from an individual.

**SBA
guaranteed
loans**



Capital Resources and Contacts:

Small-business owners can learn about government and private-sector funding sources in the following free booklet:

- *The Small Business Financial Resource Guide*. 1996, Leston, VA: Braddock Communications, Inc. Free copies may be obtained from the U.S. Chamber of Commerce at (202) 463-5503, and the National Association of Women Business Owners at (800) 556-2926.
- US. Small Business Administration (SBA)
409 Third Street, SW
Washington DC 20416
(800) 827-5722
Web site: <http://www.sbaonline.sba.gov>

Food Safety

Prospective processors are sometimes discouraged by food safety regulations, but for established businesses instead of being viewed as a barrier to success, it is viewed as a helpful source of food safety information. The vast majority of the respondents in the Farming Alternatives Program's small-scale food processors survey, reported that they have little or no problems with regulators, or perhaps even have quite beneficial relationships. After all, safe food handling is crucial to effectively marketing a product and maintaining a trustworthy reputation. Food safety inspectors protect consumers' health and prevent businesses from being destroyed by a consumer getting ill from their product. Through regulations, customers and businesses can rest easy, knowing that their food products are safe.

Food safety issues are complex and regulations are different for each state. While federal (FDA and USDA) regulations are the same for everyone, state regulations vary. Confusing agency jurisdictions also frustrate processors. Most state health agencies require licenses for commercial kitchens. Local health authorities should also be notified regarding a business's cooperative arrangement with a facility, such as a restaurant (Gibson, 1994).

Before referring processors to the state's Food Safety Office (usually located in the Department of Agriculture or Health), processors

should complete three initial steps. First, suggest that they check with their local municipality or township regarding zoning and other required business licenses. Second, if they have well or spring water, it should be tested because it must be certified for public use. (To locate a water quality lab, contact Cooperative Extension or check in the Yellow Pages). Third, they should develop a more specific idea for the food product so they know what questions to ask. They will receive a better response from their Food Safety Officer if they have already completed these three steps.

Processors who do not take comments from regulators personally and instead develop a relationship with the regulator can find a tremendous source of information and support. This was an effective strategy for Rita Kellogg, who worked closely with regulators in order to develop a positive relationship that boosted her operation's production capabilities. She has found their regulator to be nurturing and supportive.

Work with the Food Safety inspector for maximum benefit.

State contact numbers for questions regarding food safety and inspection for **fruit, vegetable, and dairy products:**

Connecticut: Hartford	(860) 240-9214
Delaware: New Castle	(302) 739-3787
Maine: Augusta	(207) 287-5672
Maryland: Baltimore	(410) 767-8448
Massachusetts: Jamaica Plain	(617) 727-2670
New Hampshire: Concord	(603) 271-4589
New Jersey: Trenton	(609) 588-3131
New York: Albany	(518) 458-6706
Ohio: Columbus	(614) 644-6811
Pennsylvania: Harrisburg	(717) 772-3234
Rhode Island: Providence	(401) 277-2750
Vermont: Burlington	(802) 863-7220
Virginia: Richmond	(804) 786-3559
West Virginia: Charleston	(304) 558-2981

State contact numbers for questions regarding food safety and inspection for **meat and poultry products:**

Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont: Boston, MA	(617) 565-6570
New Jersey and New York: Albany, NY	(518) 452-1776
Pennsylvania: Philadelphia, PA	(215) 597-8735
Delaware, Maryland, Virginia: Greenbelt, MD	(301) 344-2261
Ohio and West Virginia: Pickerington, OH	(614) 833-1405

**“HACCP”
(pronounced
“hassip”) —
Get to know
this word.**

HACCP principles

Hazard Analysis Critical Control Points (HACCP)

A land grant university’s food science department and Cooperative Extension home economists may be able to assist with food safety concerns or give out referrals (Gibson, 1994). The Hazard Analysis Critical Control Points (HACCP) program provides excellent guidance for processors in regard to food safety. It has been endorsed by the FDA, the USDA, the World Health Organization (WHO), and the Department of Commerce. HACCP principles are supported and progressively being adopted by regulating agencies. The HACCP program is being applied to low-acid canned goods and the FDA is requiring seafood processors to adopt the program. The USDA is considering adapting HACCP to the meat and poultry industry.

Given its widespread reputation and use, it is an important program for prospective processors to gain familiarity with. The workbook listed below details these seven HACCP principles:

1. Identify hazards and assess the relative risk.
2. Identify critical control points in your process.
3. Establish critical limits or specifications to be met in order to control the potential hazard(s).
4. Establish monitoring procedures at each critical control point to make sure you are processing within the required critical limits.
5. Establish corrective action to be taken if the results of your monitoring show that you are operating outside the critical limits. This action is necessary to bring the processing step back in control.
6. Establish a record-keeping system to document monitoring of critical control points.
7. Establish verification procedures to periodically check to see that the HACCP system is working as planned.

Food Safety Resources and Contacts

- Food and Drug Administration Center for Safety and Applied Nutrition Division of Regulatory Guidance, 200 C Street, SW, Washington, DC 20204; (202) 447-0817.



- ***Food Safety and Quality Participant's Workbook.*** A Focus on Food Safety and Quality for Specialty Processors: A Practical Approach to the Seven HACCP Principles. New England Cooperative Extension Consortium (NECEC). Contact Dr. Mahmoud Elbegearmi at University of Maine; (207) 581-3449. Cost is \$25.
- Department of Agriculture Facilities, Equipment and Sanitation Division Technical Services, Washington, DC 20250; (202) 447-6042.
- USDA Food Safety and Inspection Service Home Page: <http://www.usda.gov/fsis>.
- USDA Meat and Poultry Hotline, (800) 535-4555.

Packaging and labeling. Package choice influences the safety and quality of the food. For example, some food may be safer in vacuum-packed containers, while others may require canning. University food science Extension specialists and county Extension home economists can offer guidance on this (Gibson, 1994). There are federal and state laws regarding packaging and labeling. Processors should contact the FDA office for information on packaging and labeling (see address above).

A Note On Nutrition Claims

As a general rule, small-scale food processors are exempt from including nutrition information on their product labels (e.g., calories, fat, etc.). However, this exemption is lost if a nutrition claim is made (e.g., "low fat"), or if some nutrition information is voluntarily provided on the label. For details on product labeling, contact:

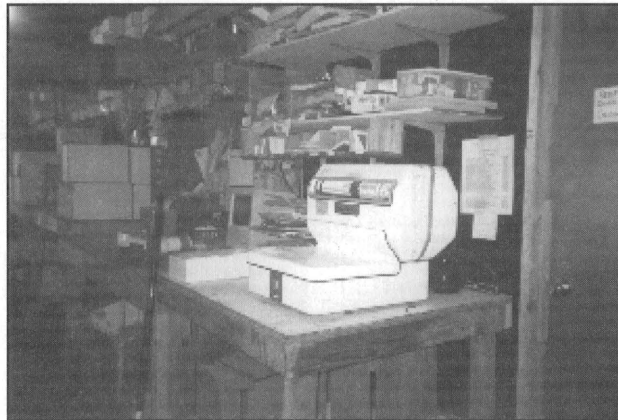
Division of Programs and Enforcement Policy (HFS-155)

Office of Food Labeling
Center for Food Safety and Applied Nutrition
Food and Drug Administration
200 C Street, S.W.
Washington, DC 20204
(202) 205-5229

Certain retailers require a UPC code. For more information on the UPC System, contact:

Uniform Code Council, Inc.
8163 Old Yankee Rd., Suite J
Dayton, OH 45458
(513) 435-3870

Scales used for commercial purposes must be inspected. Contact the county's Weights and Measures office at the courthouse, the state office of Weights and Measures (most fall under the Department of Agriculture) or the National Bureau of Standards and Technology (Gaithersburg, MD). It is usually most efficient to start with the local office.



Tait Farm Foods' scale holds a prominent location in the processing room.

Other Legal Issues

A partnership agreement is strongly recommended to protect the partners. A value-added enterprise, on top of a farming operation, requires a wide variety of skills. Family members and partners can provide a business with a diversity of necessary skills. A partner can contribute expertise in food processing, contacts, customers, and knowledge or interest in other areas. A well-chosen partner is usually worth the percentage of profit a sole owner would

Forms of Business Organization

The following are the traditional forms of business organization.

Sole Proprietorship: a business owned and operated by a single individual. Full liability; single taxation.

Partnership: a business owned and operated by two or more people; shared liability; single taxation.

Corporation: a business owned by shareholders; some liability protection; double taxation.

S-corp: hybrid structure; combines the limited liability of a corporation with single taxation of sole proprietorship. A popular choice.

Cooperative: a membership-based business which distributes profit according to members' use of the co-op.

give up, but partnerships are very fragile and can result in painful break-ups. Even partners who are the best of friends need a predetermined agreement that will ease the transition and prevent unfair personal losses if a partnership changes or dissolves.

Options for legal structures for small-scale processing enterprises are detailed on the previous page. Attorneys and accountants can review and recommend legal structures (NYSBDC, 1995).

Small businesses must research and comply with federal, state, and local laws and regulations. New businesses should consult with their state department of labor, county government, local municipality, and an attorney for information on legal requirements. According to the SBA, possible registration and accounting requirements include:

- Work certificate or a license from the state (the business also may need to be registered with the state), and registration of the business's fictitious name (also known as filing the DBA—"doing business as" statement);
- Sales tax number and employer identification number; and
- Separate business account.

If the business has employees, it is responsible for:

- Withholding income and Social Security taxes;
- Complying with laws covering employee health and safety and minimum wage; and
- Obtaining Workers' Compensation insurance.

The US. Business Advisor, a World Wide Web site found at <http://www.business.gov>, can help new businesses identify and comply with federal regulations. It also contains links to the Internal Revenue Service, the Social Security Administration, the Occupational Safety and Health Administration, and numerous other federal agencies. Federal tax information can be obtained by calling the IRS at (800) TAX-FORM.

Product liability insurance is necessary because most value-added products are not covered under general farm policy programs. If a processor is manufacturing products on his or her property, more

**Paperwork . . .
one of the
"costs" of
doing business**

Insurance agents are part of the food processor's management team

insurance is required than if a co-packer is being used. In either case, product liability insurance is necessary. It is important to have this protection from the beginning even if a processor is just handing out samples. In fact, many commercial markets will not accept products without liability insurance.

It is important for a business to get professional advice on insurance protection, identify the various ways the business could suffer a loss, and organize an insurance management program. Several insurance agents can be consulted to find the best deal for the business (NYSBDC, 1995). Potential losses businesses may want liability insurance to cover include:

- Bodily injury or property damage to third parties and protection against property damage to the insured's property;
- Interruption of business due to violations in health and safety regulations or a break in utility lines;
- Fire and casualty;
- Crime; and
- Loss of a key employee.

Protecting a name or logo

Some processors register their trademark, which is a "word, name, or symbol used to identify" a product and "distinguish it from those being sold by other companies" (Nelson-Stafford, p. 14). For products sold within the state, a business can usually register through the Secretary of State's office. For outside of the state, trademarks can be registered through:

The US. Department of Commerce
Patent and Trademark Office
Washington, DC 20031
(703) 557-3883 or (703) 557-3881

Summary

Small-scale processing enterprises involve a wide range of considerations, and each situation is unique. There is no one formula for developing a successful business. There are many barriers to success. For instance, Rita Kellogg has had problems getting appropriate and adequate insurance coverage, keeping track of state and federal regulations, and affording hired help, especially with the cost of worker's compensation insurance. Meadow View Farm suffered from a lack of initial planning and research regarding jar

sizes and prices. Tait Farm Foods has been overwhelmed at times with the amount of time it takes to keep up with food industry trends and marketing.

Cooperative Extension agents and other agricultural professionals can educate themselves further through researching the resources listed throughout this guidebook. Refer clients to these resources and consider holding workshops for interested processors with food-safety regulators, insurance agents, attorneys, and bankers. Such workshops not only increase processors' understanding of the issues, but also provide opportunities for networking (see section 3 for programming tips). Through processors and other community members working together, production and marketing capabilities can be enhanced.

To sum up, here are the keys to success described by the processors included in this section:

Meadow View Farm/James and Alma Weaver:

1. Having a product that is unique.
2. Having a person or an organization who can enthusiastically promote the product.
3. The right kind of labeling and packaging.

Sap Bush Hollow Farm/Jim and Adele Hayes:

1. Aggressive marketing.
2. Having a full-time presence on the farm.
3. Having strong agricultural/livestock knowledge.

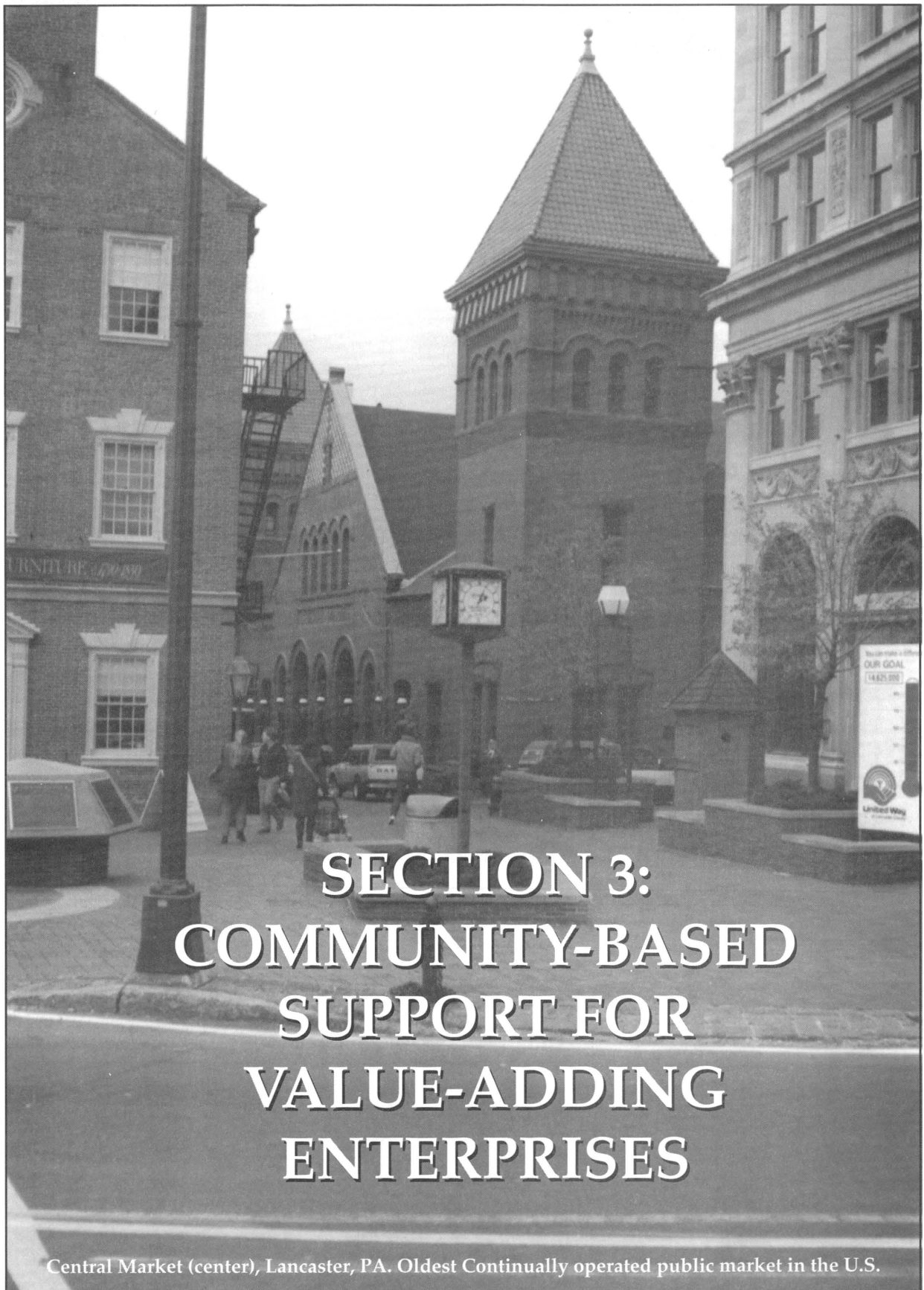
Side Hill Acres/Russell and Rita Kellogg:

1. Assure the quality of their inputs by producing their own milk.
2. Knowing their customers, being flexible, and catering to their needs.
3. Working with supportive agencies and universities to help make the transition into a value-added business.

Tait Farm Foods/Kim Knorr-Tait:

1. Having a unique product that can be differentiated from other products on the market.
2. Having a strong relationship with the local community—being very well respected and supported.
3. Having vision, taking risk, seeing some idea of what you may be able to manufacture and believing you can do it. It is not about being practical. It is a leap of faith.

The next section presents research on examples of processors and community members joining forces to support and promote small-scale processing enterprises.



SECTION 3: COMMUNITY-BASED SUPPORT FOR VALUE-ADDING ENTERPRISES

Central Market (center), Lancaster, PA. Oldest Continually operated public market in the U.S.

SECTION 3 COMMUNITY-BASED SUPPORT

Introduction

As noted in the introduction, more and more farmers and other businesspeople are entering into value-adding food processing enterprises or are interested in doing so. Responding to this interest, a growing number of Northeastern communities are providing market development support, business education programming, technical food-processing services, and even developing special facilities to serve fledgling value-adding enterprises. There is little literature on this subject, and yet more and more Extension field staff and community organizations are looking for information. The purpose of this section is to provide examples of community-based strategies to support small-scale value-added processing, and share the experience of some of the organizations which support these initiatives.

Form a working group

Before embarking on any one of the initiatives described in this section, establish a working group or committee and consider the following questions when thinking about its composition:

Who are the stakeholders?

- Farmers
- Cottage industries
- Home-based businesses
- Co-packers
- Larger firms
- Restaurateurs

Who else should be involved?

- Cooperative Extension
- Tourism bureau
- Local food-safety inspector
- Small business development centers
- Community development officials
- Nongovernmental organizations
- Chamber of Commerce
- Economic development agencies
- Farm Bureau
- Commodity groups

The following are some general community-based strategies for supporting value-adding activities.

STRATEGY #1**Establish Specialty Food Networks and Associations**

Similar in principle to a cooperative, a flexible network is made up of two or more firms that have come together to carry out new business activities that the members of the network could not pursue independently (Center for Industrial Engineering Technology, 1996). In the case of value-adding, a network can involve similar food processing firms which band together to share the costs of developing a new product, or dissimilar but complementary firms which collectively approach the capability of a vertically integrated large firm. Typically the nature of the cooperation with the network is carefully defined so as to preserve each firm's independence and original product lines.

Examples of networks include a group of processors working together on a seasonal basis to produce holiday baskets, or a group of goat-cheese producers supplying an airline with cheese snacks for its first-class customers.

Advantages of flexible networks include:

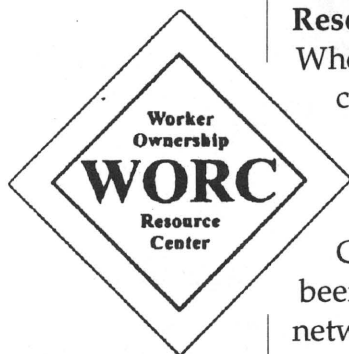
1. They assist multiple food processors at a time;
2. They can be linked into existing business development programs (SCORE, SBDCs, etc.); and
3. They are driven by the private sector, and can be informal and flexible and do not require incorporation.

Key Elements of Effective, Flexible Networks

- "Broker" or coordinator who is paid to administer the network
- Well organized process that informs and involves all members
- Grant/micro-loan program that provides financial resources to enable larger, more complicated networking activities to go forward (e.g., cooperative marketing)

A series of prompting questions can aide in stimulating the discussion at an initial exploratory meeting: What services do your food processing businesses require that are not now readily available? Do you have problems obtaining ingredients and supplies at affordable prices? Are there new markets that you would like to get into? Could any of these problems or opportunities be tackled better if you joined your resources with others in this room? What kinds of resources would be necessary to achieve these high-priority goals?

Small firms should do more networking and cooperating than competing



**Local
specialty-food
network aids
limited-
resource
enterprises**

The Specialty Food Network of the Worker Ownership Resource Center

When New York Department of Agriculture food-safety inspectors conducted a "sweep" of a farmers' market in Geneva (in the Finger Lakes region of New York) in July 1996, resulting in a number of processors being shut down for being in violation of food-safety regulations, the Worker Ownership Resource Center (WORC) leaped into action. Coincidentally, WORC had been exploring the establishment of a Finger Lakes specialty-food network, and the incident at the Geneva Farmers' Market added impetus to the endeavor. It was clear that in order for many of the vendors to continue to sell their food products at the market, they would need a certified kitchen in which to produce their specialty.

With a planning grant from the John Merck Fund, WORC laid the groundwork for a flexible network involving specialty foods in the Finger Lakes region of upstate New York. Patterned after the

ACENet's Food Ventures Network

The Appalachian Center for Economic Networks (ACENet) provides the following programs and services to the members of their Food Ventures Network, which are located in the Appalachian regions of Ohio and West Virginia:

Access to Capital

- Microenterprise Loan Fund
- Product Development Fund
- Loan preparation assistance
- Links to venture capital

Marketing Assistance

- Resource library
- Trade shows
- Internet access for research
- Market intelligence and trend analysis
- Marketing software
- Web sites—Foodnet, Public Web-market and Virtual Business Incubator

Business and Technology Support

- Computer training center
- Computer lease and loan program
- Internet access and video conferencing
- Southeast Ohio Regional Freenet

Business Planning

- Customized software
- One-on-one counseling
- Referrals to commercial partners
- Interns and research assistance

Industry Training

- Incubator orientations
- Training and empowerment programs
- Southeast Ohio Business/Industry Training Network
- Community Food Initiatives workshops

Product Development

- Links to industry resources
- Regulatory assistance
- Recipe formulation, processing schedule and HACCP
- On-site incubator oversight

ACENet's Food Ventures Network (see previous page), the Specialty Food Network is an organization dedicated to economic development in this region of New York. It helps clients start or expand small food businesses, and promotes members' businesses and products.

A survey of processors at several farmers' markets in the region showed that while many were engaged in home production, most were interested in expanding their businesses and some would consider a shared production facility and joint marketing. The Specialty Food Network has been pursuing programs to address these and other issues.

Presently, the network has 46 members in varying stages of activity in their businesses, ranging from those interested in producing a favorite salad dressing to one producer who has won a national contest for his hot sauce. Most of the businessowners in the network are women and most are working poor or marginally employed. Many businesses are home-based because of family and child-care responsibilities.

Other activities of the network include trainings for safe food handling in collaboration with the New York State Small-Scale Food Processors Association (described below) and to work on establishing a regional identification logo. WORC also has a business incubator in Geneva where space is available to begin a Finger Lakes specialty food store. In general, WORC offers business training and technical assistance for all kinds of microenterprises.

Small-Scale Food Processors Association Starts in New York

Another way to support local efforts on a statewide basis is through the creation of a statewide association. This exciting process is underway in New York as groups of small-scale processors across the state are beginning to form regional chapters of a statewide association. In a sense this is an association of local flexible networks.

Statewide Food Processing Associations in the Northeast U.S.

Small-Scale Food Processors Association (of New York);
Amanda Hewitt, Cornell Cooperative Extension of Oneida County,
121 Second Street, Oriskany, NY 13424-9799;
(315) 736-3394.

Connecticut Food Association: Specialty Food Division: 55
Farmington Avenue - Hartford, Ct. 06105; Phone: 860-247-8384
- Fax: 860-524-8384; E-Mail: ctfood@townusa.com

Mid-Atlantic Food Processors Association
F. Schales, Vice President; P.O. Box 2497, Salisbury, MD 21802,
410/546-5854
410/548-9493 (Fax)

Maine Food Processors Association
c/o Stache Foods Inc., Hockomock Hollow
PO Box 174, Bremen, Maine 04551; Phone: (207) 529-5879; Fax:
(207) 529-5813; Email: stache@lincoln.midcoast.com

**Groundwork
for the
association
included a
survey and
conference**

Some of the goals of the association are:

- To set up a **model mentoring project** matching up an established processor of a product line with someone wanting to enter that business;
- To promote “**incubators**” where newly forming businesses can get support in business management and marketing practices until they become established;
- To offer **resources** in one place that give start-up processors places to purchase used equipment, learn marketing tips, and more; and
- To build **regional chapters** for exchange of information, cooperative purchasing, marketing, and general support.

This initiative was a result of a collaborative project of the Farming Alternatives Program, the New York Sustainable Agriculture Working Group, New York State Agriculture and Markets, and the Food Venture Center of the Cornell Experiment Station. Soon after start-up, the Worker Ownership Resource Center also became an active partner. The project was funded by Northeast SARE (Sustainable Agriculture, Research and Education).

Since “participatory action research” was a strong value of the collaborators, an advisory committee of processors of various product lines was formed, many of whom are still involved in promoting the association.

The first step was a survey of 600 small-scale processors in New York (defined as having fewer than 20 employees) conducted by the Farming Alternatives Program. The results were used in the planning of the conference that followed. The attendance of 240 brought together over 90 processors (18 farmers) and 56 potential processors (29 farmers) as well as over 20 Extension staff and others. Farmers saw this as a real opportunity to add value to their products.

The conference, *Making it in the Northeast: Small-Scale Food Processing on the Rise*, included workshops on business management, technical questions around the regulatory arena, marketing ideas, and ways to collaborate. Almost all attendees wanted to continue working together, and a working group of 20 was formed. As of this writing, five chapters have been formed, covering about half of the state, and the remaining five are expected to be on board by the end of 1998. Plans are moving ahead on creating a Web site, continuing to build membership, and conducting a first annual meeting. (See appendix for further information about the association.)

One of the key issues networks and associations can work on is building regional product identity. This idea is discussed in strategy 2.

STRATEGY #2

Build Regional Product Identity— A Case Study of New York

In a recent television commercial, some cowboys are sitting around a campfire out on the range and one is reading the label on a jar of picanté hot sauce to see where it was made. In a somewhat dismayed Southwestern drawl, he proclaims “New York City?!!”

Consumers do not generally associate the words “New York” with high quality “genuine-article-type” food products, with a handful of exceptions (notably wine and cheese). This lack of a strong and diverse product identity could be a hindrance for the growing number of producers and marketers of agricultural products and high-quality specialty foods in that state.

This issue came to the fore last year when the New York State Department of Agriculture and Markets decided to use the Statue of Liberty in a logo promoting New York State agriculture. Some critics claimed that the Statue of Liberty is a “downstate symbol,” and while perhaps the most recognized symbol of the state, Ms. Liberty did not represent the state’s food and agriculture industry. Indeed, as an urban icon, just the opposite might be true. Only time will settle this debate.

But one thing that most people are likely to agree on is that regional place names like Niagara, Adirondack, Catskill, Mohawk, Finger Lakes, Chautauqua, Hudson Valley, and Long Island conjure up more romantic notions about land, farming, food and pastoral values than do the words “New York” alone.

State Regional Identity

Other states are capitalizing on their name recognition. When we think of New England, we may picture lobsters and rocky shores, or perhaps baked beans, maple syrup and pines on a snowy day. With some success several New England states have been carving out unique identities within this image in the eyes of tourists and consumers: Maine is wild, Vermont is environmentally attuned, and more recently New Hampshire has been building on the state’s tradition of sturdy individualism (through its “I have a story to tell” campaign).

Some urban states in the Northeast may have difficulty building an image around food. In this case, substate regions may be more effective.

Vermont is a success story—not a model to copy. Each state and region must identify the soul of that place.

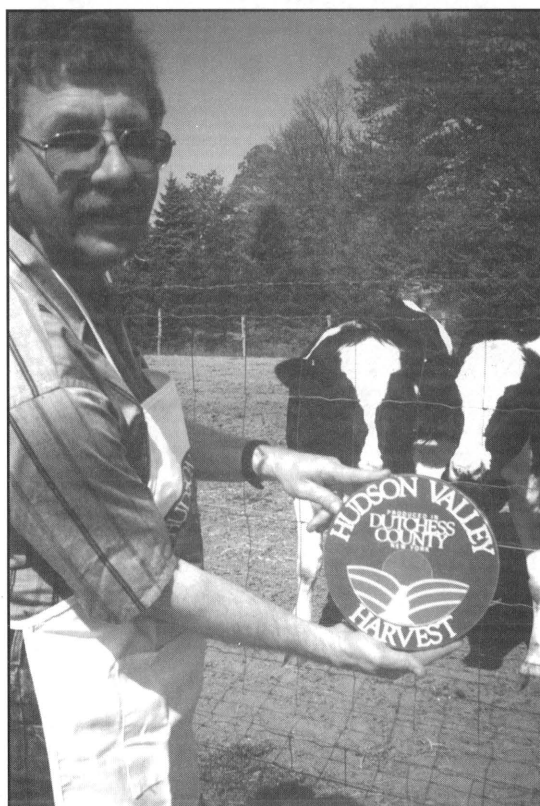
A number of communities around the country are taking this concept one step further, making even greater substate regional distinctions. This is particularly true in states which may not have a strong image connected to food or farming: Michigan's Upper Peninsula, California's Sonoma, Mendocino and Napa counties, the Yakima Valley of Washington. The Vidalia onion growers of Toombs County, Georgia figured this out a long time ago.

A growing number of regional product identity initiatives are also underway in New York, turning this state's diversity into a plus. The following is a sampler of some of the more prominent efforts.

Hudson Valley Harvest

Dutchess County Cooperative Extension took leadership on implementing a farm products marketing campaign for the Hudson Valley, a region just north of the New York City metropolitan area. The marketing program began in 1996. Its primary goal is to increase the market share for Hudson Valley agricultural products. Thus far, a logo has been designed to promote fruit, vegetables and specialty-food products from the region. A Hudson Valley Harvest marketing association is being formed in 1998. The association and its board of directors will focus on promoting

Hudson Valley products throughout the region. For further information about the Hudson Valley Harvest program, contact Les Hulcoop, Cornell Cooperative Extension of Dutchess County, P.O. Box 259, Millbrook, NY 12545; (914) 677-8223 ext. 130; or by e-mail to lhulcoop@cce.cornell.edu.



Les Hulcoop, Ag Agent in Dutchess County, displays the new Hudson Valley Harvest logo.

Seaway Trail

The stretch of coastal lands lying adjacent to the St. Lawrence River and lakes Ontario and Erie is home to one of the largest fruit- and

vegetable-growing regions in the Northeast U.S. This region, which boasts a unique climate due to the large bodies of water nearby, is highly diversified and productive. Capitalizing on the region's rich agricultural resources, Seaway Trails, Inc.—a regional tourism promotion organization in cooperation with local Cooperative Extension associations—is developing an agritourism promotion campaign. Several related projects are on the horizon, including building regional identity through a Seaway Trail cuisine, which will highlight specialty-food products such as Buffalo wings and Thousand Island dressing. Also under development are motor-coach tours targeted to domestic and foreign travelers. Similar efforts are being considered in the Leatherstocking, Finger Lakes, and Chautauqua-Allegany regions. For more information contact Teresa Mitchell, Seaway Trail, Inc. 109 Barracks Drive, Sackets Harbor, NY 13685; (315) 646-1000.

The Catskills (See also New Generation Cooperatives, below) New York City is putting millions of dollars into cleaning its watershed, the largest section of which lies within the Catskill Mountains region. Many farmers are participating in a voluntary whole-farm planning program which, it is hoped, will reduce farming's contribution to watershed pollution. Some farmers and farm groups are also taking an entrepreneurial approach to cleaning up the water. Their philosophy: If New York City residents want clean water, why not ask these consumers to put their money where their mouths are and buy fresh and value-added products from farmers participating in the whole farm planning program? Such an approach provides incentives both for consumers to support local farmers, and for farmers to implement management practices which will contribute to a cleaner watershed. For more information contact Rick Bishop, Watershed Agricultural Council, RR 1, Box 74, NYS Route 10, Walton, NY 13856-9751; (607) 865-7790.

In the Final Analysis

Most Northeastern states have strong name recognition, and one might consider using these state names as platforms from which to draw more meaningful local or regional distinctions. A product logo for the Brandywine region of Pennsylvania, for example, should include the state name in order to help the consumer make the link to that beautiful and diverse state. But a heavy emphasis should be on the region—that unique place which has its own sights, sounds and, yes, smells and tastes.

Admittedly, there seems to be a role for “sameness of place.” McDonalds and other fast-food restaurants discovered this a long

**Bring
consumers
into the mix**

**Many
successful
food-
processing
businesses
have been
launched at
farmers'
markets.**

time ago. But there is a growing sophistication among American consumers and they are hankering for something different as they rediscover their own country. The Northeast has enormous diversity to offer, and it needs to give consumers what they increasingly want.

STRATEGY #3

Encourage Use of Farmers' Markets to Launch Value-Added Products

The following is excerpted from the publication Farmers' Markets and Rural Economic Development by the Farming Alternatives Program at Cornell University. For ordering information, see Appendix

Research shows that farmers' markets serve as microenterprise "incubators"—helping small-scale food processors get started. Take Anne Beiler, the "Pretzel Queen," for example, who started making and selling fresh pretzels 10 years ago in a farmers' market in Downingtown, PA. With input from customers she tweaked the recipe and quadrupled sales to \$1,500 a weekend. Today Beiler's multimillion dollar business consists of 273 pretzel shops in 35 states (Ballon, 1995).

Likewise, the Brown Cow Yogurt Company began in 1974 as a small family dairy in Newfield, New York. To test market a yogurt they had developed, they took a cooler full of product down to the newly established Ithaca Farmers' Market. Little did they realize that over the next twenty years they would become one of the largest regional yogurt makers in the Northeast. (They eventually sold the business.) In both of these cases local farmers' markets provided nurturing entrepreneurial environments to launch these food businesses.

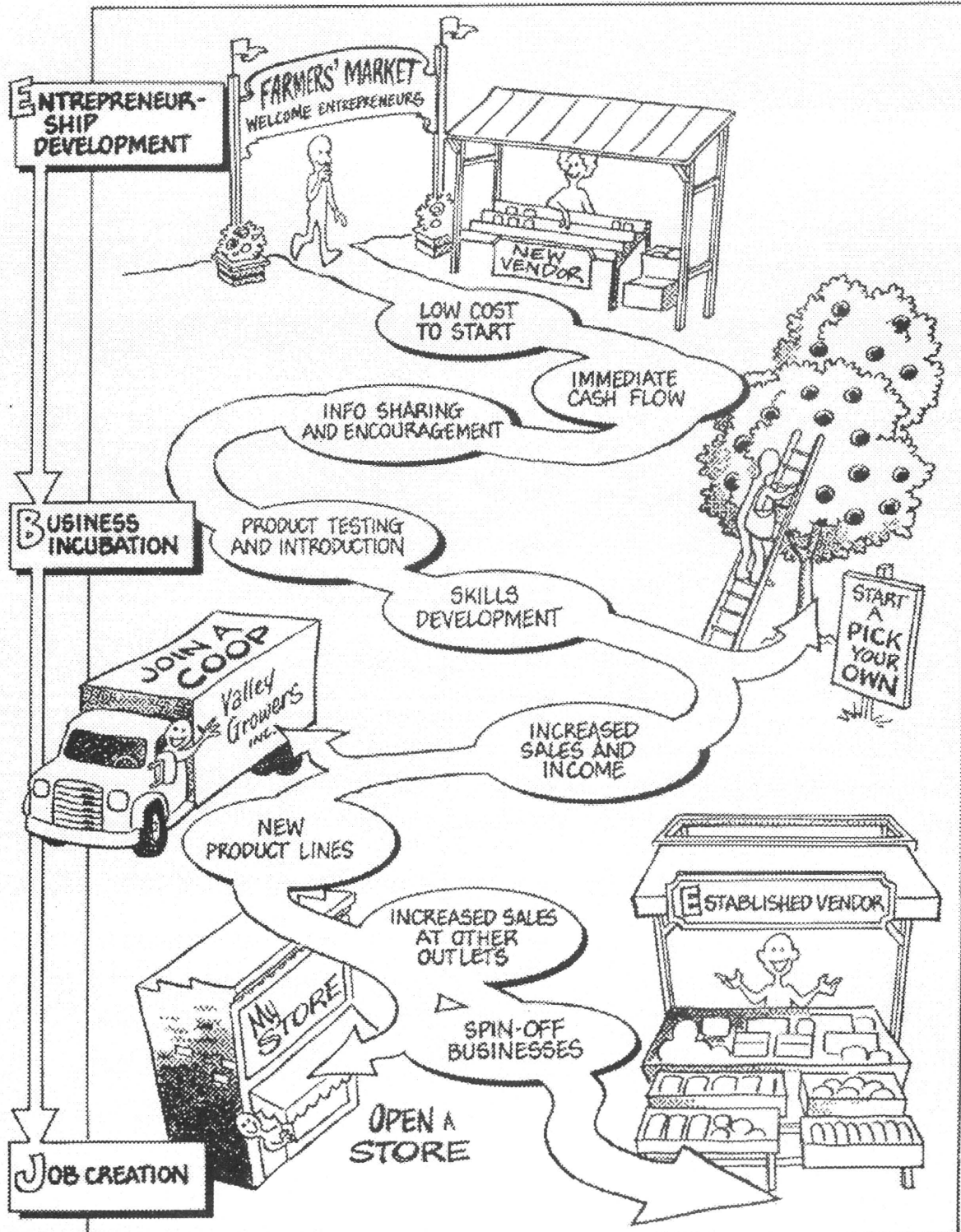
The U.S. now has more farmers' markets than ever before—over 2,000 by the latest count (USDA, 1997). The number of retail farmers' markets in the Northeast has risen from perhaps a dozen or so in the mid-1960s to lead the country with over 500 (29 percent of the total) in 1994.

The Incubation Function

A study by the Farming Alternatives Program at Cornell shows that farmers' markets provide a rich entrepreneurial environment for starting new businesses or products, or changing the direction of existing businesses. Figure 4 (on next page) illustrates how farmers' markets can provide an entry into business as well as an

Figure 4

THE ROAD TO LOCAL ECONOMIC DEVELOPMENT THROUGH ENTREPRENEURSHIP DEVELOPMENT, BUSINESS INCUBATION AND JOB CREATION IN FARMERS' MARKETS.



Jim Houghton

expansion path for that business. For the new vendor, whether she or he is a grower, food vendor, or craftsperson, a farmers' market can be an effective starting point. Farmers' markets provide an opportunity to convert an avocational skill like cooking or food processing into a money-making venture, thus transforming an informal enterprise into a more formal one.

As vendor-entrepreneurs travel along the path, their farmers' market experiences help them develop their business skills and build confidence. Products are test marketed, and as the business grows, additional outlets are created, and existing outlets expand. In some cases, new businesses (such as co-ops, restaurants, and retail stores) are launched out of the farmers' market, leading to additional job creation and other economic development.

Farmers' markets generally do not spin off businesses in the sense that formal business incubators do. Indeed, some vendors do leave and establish themselves elsewhere in the community. However, the Farming Alternatives Program survey suggests that successful vendors tend to stay with their farmers' market as they grow.



A winery offers samples as a marketing technique. Note the wine jellies in lower left corner.

Instead of outgrowing markets, the benefits of markets change for these established businesses. For example, the market may become more important in terms of promotion and visibility than in sales and income. As long-term vendors' sales increase, their farmers' market's share of total sales may decline. Over time, commercial vendors tend to broaden their marketing opportunities—joining other farmers' markets, or utilizing other types of direct and wholesale marketing outlets. Their initial farmers' market experiences help make market diversification and expansion possible.

Ways the community can help a farmers' market incubate small-scale food processor businesses

1. Finance

- Fund facilities and promotion.
- Provide adequate liability insurance coverage.
- Establish a revolving loan fund to help food processors buy needed equipment.

2. Education and Training

- Link farmers' market food processors to community colleges, vocational centers, Small Business Development Centers, Service Corps of Retired Executives (SCORE), Minority and Women-Owned Business Development Centers, and Cooperative Extension.
- Train market managers to support the business needs of food processors.

3. Facilities/Organizational Development

- Help to secure a permanent farmers' market location, or, if desired, a year-round facility. Value-added products can bring in revenue during the off-season.

Conclusions About Farmers' Markets as Food Processing Incubators

Farmers' markets permit entrepreneurs to achieve as a group what is extremely difficult to do as individuals—to tap a large and loyal customer base. However, they also offer a package of benefits and opportunities to their vendors. The capability of the farmers' market to do this varies from market to market and community to community. Furthermore, these contributions are most likely underutilized by market sponsors and local economic developers.

Not all food processors or value-adding farmers will be as successful as some of those described here. However, if success is defined modestly as enjoying the opportunity to establish, expand, or change the direction of a business, then farmers' markets are making an important contribution.

Resources on Farmers' Markets

- **Cooperative Extension**
(see local white pages under county government)

Farmers' markets can make significant contributions to local economic development—but to do this requires resources and support.



- *Starting and Strengthening Farmers' Markets in Pennsylvania*, Center for Rural Pennsylvania and Penn State Cooperative Extension. For copies contact the Center for Rural Pennsylvania, 212 Locust St., Suite 604, Harrisburg, PA 17101; (717) 787-9555.
- *Farmers' Market Workbook: How to Start a Farmers' Market in Your Community*. For copies contact the Sustainable Food Center, 1715 East 6th Street, Suite 200, Austin, TX 78702; (512) 472-2073.
- *Farmers' Markets and Rural Economic Development, Entrepreneurship, Business Incubation, and Job Creation in the Northeast*. Farming Alternatives Program, Cornell University. For copies contact the Media Services Resource Center, Cornell Business and Technology Park, Building 7 and 8, Ithaca, NY 14850; (607) 255-2080.

STRATEGY #4

Food Processing Incubators

A growing number of Northeastern communities are developing food processing incubators (FPIs) which provide facilities and services for fledgling enterprises.

The first food processing incubator emerged in Spokane, Washington, about ten years ago, but the concept did not spread east until recently. Various called "commercial kitchen centers," "kitchen incubators" or "food venture centers," these facilities rent equipment and space and provide technical help to food enterprises in their start-up phase. They serve a variety of clients, such as farmers wishing to add value to raw agricultural products, and home-based businesses and cottage industries which can't afford to build their own commercial, certified, and inspected kitchen. For the rental fee (by the hour or day), the entrepreneur has access to equipment such as large-capacity steam kettles, stack ovens, large stoves, mixers, and choppers, as well as storage space. In some cases, FPIs furnish technical assistance and business management counseling.

The idea behind an FPI is to help fledgling entrepreneurs get low-cost, low-risk starts in the food-processing business, thus increasing their chances for survival. FPIs are popping up in states and communities where community and economic-development groups have recognized the contributions of small-scale food processing entrepreneurship.

There are two general models of food processing incubators: larger-scale multi-tenant facilities (averaging 8,000–10,000 sq. ft.), and networks of small single-tenant kitchens (typically, restaurant kitchens). Below are examples of these two types of food processing incubators.

Types of Kitchens

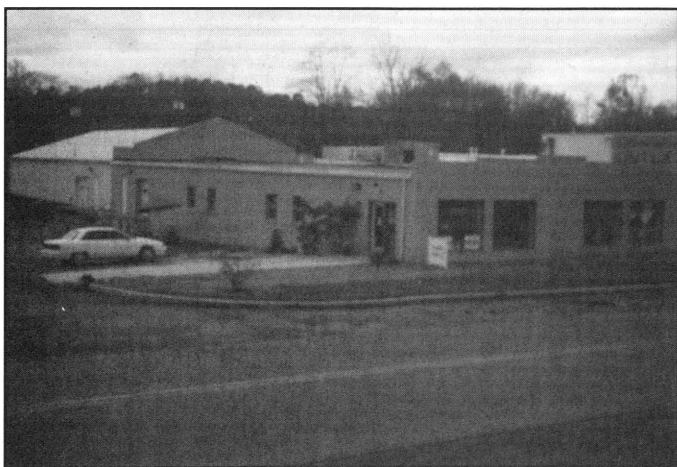
Even though they share information and help others get started, no two FPIs are exactly alike. Local resources, politics, and attitudes ultimately lead to projects which are unique. The FPIs in the Northeast vary in square footage, site location, types of equipment and services, management strategies, and cost. What they have in common is that they are all new—most are less than 3 years old. Below are descriptions of two FPIs which represent the very different approaches: ACENet's Kitchen Incubator is a relatively large-scale facility with a full range of business services; Mountain Kitchens is a small network of restaurants and other food businesses providing kitchen space to small-scale food processors.

ACENet Community Kitchen Incubator

The Appalachian Center for Economic Networks (ACENet) is a nonprofit community development corporation that works to improve the community of Athens, Ohio (near the border with West Virginia). The mission of the Community Kitchen Incubator is to create economic opportunities that enable numerous low-income entrepreneurs to become viably self-employed or obtain higher-paying jobs in expanding firms within the regional and national specialty-foods sector. The target clientele are individuals receiving public assistance, small-scale farmers, home-based food entrepreneurs, and expanding food producers in the Appalachian

region of southeastern Ohio and West Virginia.

Planning for the development of the Kitchen Incubator began in the summer of 1992. The USDA Rural Development Services provided the first develop-



ACENet's Community Kitchen Incubator in Athens, OH. The storefront can be seen from the highway.

Several models to choose from



Single-site, regionally-based kitchens take considerable time and resources to start

ment funds for the project with a \$258,000 grant. Additional funding in the form of grants and low-interest loans followed over the next few years. Total project budget was \$665,400, including the purchase of property, rehabilitation, equipment, architectural services, permits and other capital expenses. The Kitchen Incubator opened in June 1996, approximately four years after the inception of the project.

The ACENet Community Kitchen Incubator is approximately 9,000 sq. ft.—including 10 office spaces for rent (total of 1,200 sq. ft.); a retail area of just over 800 sq. ft.; a conference room; storage facilities; and the kitchen itself (see floor plan in figure 5, next page).



ACENet's main kitchen area.

The kitchen area is equipped with stainless steel, commercial kitchen equipment, including convection ovens, a ten-burner range, food processors, pasta machine, electric warmers, canning kettles, and reach-in and walk-in coolers.

Current tenants produce baked goods, desserts, dry pastas, prepared salad mixes, herbal vinegars, mustards, salad dressings, gourmet sauces, salsas, dry soup mixes, and snack mixes.

Business services such as fax, copier, computers, laser printing, reception services, and phones are available for a fee. Kitchen rental fees are scaled according to business stage, amount of usage, and income of the entrepreneur. For example, a low-income start-up business working on a prototype product will pay only \$2.00 to \$5.00 per hour, while a production tenant using the facility up to 40 hours per month will pay \$8.00 to \$10.00 per hour. Generally speaking, the more space or energy used in the kitchen the higher the rate per hour. Acidified processing, for example, comes with a higher fee per hour than dry packaging. Storage charges are extra, ranging from \$5 (for small area dry or refrigerated storage) to \$75 per month (for larger-scale palletized frozen storage).