Section I
General Information

The following information is essential for keeping project records accurate. Also, please complete or update the "Project Profile" form that is enclosed in this mailing to ensure project information databases are current.

1. Project Number: ENE96-25b
   Grant Number:
   Funding Period: Months or years for which funds were approved 1997 – AUG 1998

2. Project Title: Community-Based, Sustainable Agricultural Development: Developing Cooperatives and Adding Value

3. Project Coordinator: Timothy Bowser, Executive Director
   Name, affiliation, address, telephone and fax numbers, and e-mail
   PASA, P.O. Box 419, Millheim PA 16854 814-349-9856
   FAX 349-9840
   TRIMTAB@PSU.EDU

4. Type of Report: **Final**

5. Date of Report: 9-11-98

6. Reporting Period: From 7-1-97 to 8-31-98

7. Major Participants: Include name and affiliation (only new information or changes)

8. Cooperators: Include name and affiliation (only new information or changes)
   Scientists
   Cooperative Extension
   NRCS
   Private, Nonprofit
   Farmers (name, address, and brief description of each farm)
   Other

9. Project Status: Please check one of the following. The project is:

   X New: received SARE Chapter 3 Professional Development Program funding for the first time.
   _____ Continuation: a previously approved project, following revision and competitive review.

10. Statement of Expenditures
    You are required to enclose a statement of expenditures from your fiscal officer indicating cumulative expenditures over the period approved for the project.

    (ENCLOSED)

Community-Based, Sustainable Agricultural Development: Developing Cooperatives and Adding Value

FINAL REPORT
Submitted to
Northeast Region Sustainable Agriculture
Research and Education Program
by
Pennsylvania Association for Sustainable Agriculture

Final Report, Section II

1. Objectives

1) Introduce Cooperative Extension and other USDA personnel to concepts of value-added enterprises.

2) Increase the understanding of extension staff of both long and short-term benefits of value-added enterprises to farmers and communities.

3) Increase the knowledge base of extension staff regarding value-added business start-up and implementation strategies.

4) Extension staff enabled to identify innovative producers and develop networking strategies among those that are well-suited to utilize these marketing strategies.

5) Facilitate extension dissemination of new and innovative marketing information to state/ county clientele through newly developed publications and videos.

Abstract

The Adding Value for Sustainability project was developed by Pennsylvania Association for Sustainable Agriculture (PASA) to help Cooperative Extension agents and other agricultural professionals better assist small-scale, value-added processing enterprises. The major work completed within this project included two professional development programs and a guidebook.

PASA worked in collaboration with Cornell University in the development of the first program and the guidebook. An Advisory Committee of 22 Cooperative Extension agents, other agricultural professionals, and producers throughout the Northeastern United States guided the project to ensure programs and resources developed were relevant to the targeted audience. The response was enthusiastic, programs were well attended and interest in the guidebook significant.

The Adding Value for Sustainability project helped fill a need for more information on small-scale processing enterprises, a marketing alternative that the targeted audience sees enormous interest in from their clients. Evaluations, conversations, and new projects being developed or existing projects reinforced indicate that the Adding Value for Sustainability project helped Cooperative Extension agents and other agricultural professionals better serve their clients.

3. Specific Project Results

A. Accomplishments

1) Introduce Cooperative Extension and other USDA personnel to concepts of value-added enterprises:

Two professional development programs and a guidebook (see appendices) were designed and completed on small-scale processing enterprise development for Cooperative Extension agents and other agricultural professionals.

2) Increase the understanding of extension staff of both long and short-term benefits of value-added enterprises to farmers and communities:

During the training programs and in the text of the guidebook, extensive information was detailed regarding long and short-term benefits. Through program and guidebook evaluations and conversations with Cooperative Extension agents and other agricultural professionals, it was clear that this audience was enthused about the potential of small-scale processing enterprises for their clientele.

3) Increase the knowledge base of extension staff regarding value-added business start-up and implementation strategies:

Cooperative Extension agents in particular identified a great need for detailed information on start-up and implementation strategies for small-scale processing operations because their positions require provision of guidance and referrals to their clientele. Formal evaluations and follow-up conversations indicate that participants feel much better equipped to assist clients then they did previous to attending the programs and reading the guidebook.

4) Extension staff will be able to identify innovative producers and develop networking strategies among those that are well suited to utilize these marketing strategies:

The programs and guidebook introduced Cooperative Extension agents to several successful processors who addressed their operations' challenges and opportunities regarding marketing, financing, and food safety issues. Through hearing and reading about the stories of successful producers, extension and others have indicated more clarity in identifying prospective producers who have the management skill to benefit from the increased profitability that value-added products can bring to a farm operation. Through PASA's partnership with Cornell University's Farming Alternatives Program in the development of the first training program and the guidebook, community-based strategies for supporting small-scale processors through networks, regional product identity projects, food processing incubators, new generation cooperatives, and educational programs were explained in detail to extension and others. The Farming Alternatives Program has done extensive research in this area and provided an excellent resource for educating extension and others.

5) Facilitate extension dissemination of new and innovative marketing information to state/ county clientele through newly developed publication:

The guidebook is designed to provide resources to Cooperative Extension agents and other agricultural professionals about the many details interested producers will need to know. The guidebook includes suggestions on how to develop educational programs for producers in order to effectively disseminate this information and assist producers in planning and implementation.

B. Publicity for Activities and Programs

The guidebook and training programs were publicized in articles in the PASA and Cornell University's Farming Alternatives Program newsletters; through PASA's Board of Directors; through Penn State and Cornell Cooperative Extension and other university e-mail channels; through an Advisory Committee of 22 professionals throughout the Northeastern United States representing Cooperative Extension, other agricultural professionals, and producers; through organic and sustainable agriculture resource directories; and will be promoted and publicized at PASA's Farming for the Future 1999 Conference. The guidebook was also promoted and publicized at the two training programs and on Penn State Cooperative Extension's electronic network.

4. Potential Contributions and Practical Applications of the Professional Development Program

A. Trainee Adoption and Direct Impact

Through evaluation forms and follow-up interviews, Cooperative Extension agents and other agricultural professionals indicated their increase in knowledge of the marketing, financing, food safety, and community support strategies for available to small-scale processors. The training programs and the guidebook have inspired the creation of new and the enhancement of existing programs and support for small-scale processing enterprise development. For example, Penn State Cooperative Extension's Food for Profit programs, whose organizers attended the training programs and purchased the guidebook, have been held in increasing numbers around the state to educate interested producers on small-scale processing. Several

Cooperative Extension agents have communicated their appreciation of the development of the guidebook for use in their Food for Profit programs. Steering committee members of a NE-SARE funded program representing Cooperative Extension agents, a local conservation district, the local Chamber of Commerce, and producers in central Pennsylvania attended the training programs and purchased copies of the guidebook to enhance their efforts for organizing a new generation cooperative involving small-scale processing with local producers. Other professionals who have plans for incorporating information gained from training programs and the guidebook include: Cooperative Extension agents and other community organizers in Western Pennsylvania who have developed a food processing incubator, as well as interested individuals in other parts of the state that want to start an incubator; several different groups interested in developing beef marketing cooperatives and a bottled goats milk cooperative; Cooperative Extension agents who are assisting clients with starting on-farm bakeries; Cooperative Extension agents who write articles and offer assistance on marketing alternatives for producers. Overall, Cooperative Extension agents and other agricultural professionals have indicated positive feedback for the development of the training programs and guidebook, due to the lack of resources and their lack of background on this topic and the great interest in the topic which they increasingly hear from producers. (See enclosed evaluation forms).

B. Potential Benefits or Impacts

Evaluation results and follow-up conversations show that Cooperative Extension agents and other agricultural professionals indicate more confidence in their ability to conduct programming, because of a fuller knowledge base to respond to information requests from producers and assist producers and others in problem-

solving, experimentation, and development of small-scale processing enterprises. Given the scope of programs and projects (described above) that the training programs and guidebook have impacted, the number of producers benefiting from this assistance should be significant.

As stated in the guidebook:

> 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.

Small-scale processing offers small, sustainable farmers a financially viable alternative to competing with conventional, large-scale marketing channels. Keeping small and medium-scale, sustainable farmers in business assures better protection of the environment and vital rural communities. The training programs and guidebook are fulfilling a strong interest in small-scale processing enterprises heard from producers across the Northeast. Frustrations with Cooperative Extension's lack of knowledge on sustainable agriculture and alternative marketing channels is echoed by many producers who appreciate efforts aimed at providing extension with more information with which to serve.

C. Feedback from Farmers

Ten producers who have small-scale processing enterprises involving vegetable, fruit, dairy, beef, poultry, and baked goods actively participated in the training programs as speakers and organizers and in the guidebook as case studies. Finding interested producers who were willing to help improve the knowledge base of Cooperative Extension was not a difficult task. These producers commented on past experiences where they tried to find guidance for their business through extension and were frustrated with their lack of knowledge. They were excited to see programs and resources being designed to help better train Cooperative Extension. Extension was most interested in hearing stories of the producers, rather than hearing information from other "experts." Evaluations forms and conversations indicated that they highly valued the practical insight producers could offer and they could pass on to their clients.

5. Individuals Involved:

Number of extension and/or NRCS personnel in attendance at:

February 1998 - Farming for the Future Conference Adding Value for Sustainability Program (4 hours) - 47 participants

July 1998 - Adding Value for Sustainability Program (5.5 hours) - 34 participants

6. Future Recommendations and Areas Needing Additional Professional Development Efforts

The following are suggestions taken from evaluation forms submitted by participants:

- Additional tours to on-farm processing businesses, a Pennsylvania directory of small-scale processors, marketing professionals as speakers, additional lists of resources and supplies, programs on other marketing alternatives.
- I would recommend more funding for programs that educate extension and others on sustainable agriculture and marketing alternatives.
- I believe experiences from producers are the most valuable information. Producers should be given explicit details about what to cover during presentations and to not talk "down" to their audience but to keep in mind that they are talking to professionals who work with producers, not the producers themselves.
- Plenty of time for questions is important.
- Extension also emphasized inexpensive fees for programs and resource materials, given their limited budgets.
- Partnerships with appropriate research institutions adds credibility to a project, more assurance that the audience is receiving information that is valuable, and can expand the geographic region of the audience targeted.

PASA has greatly appreciated forming partnerships with Penn State Cooperative Extension agents and with Cornell University's Farming Alternatives program. There are several Cooperative Extension agents who want to continue to work closely with PASA to help develop more educational programs on sustainable agriculture and marketing alternatives for producers, Cooperative Extension, and

other agricultural professionals. Cornell University's research on small-scale processing enterprises has been a valuable component to this project and PASA looks forward to continuing this working relationship.

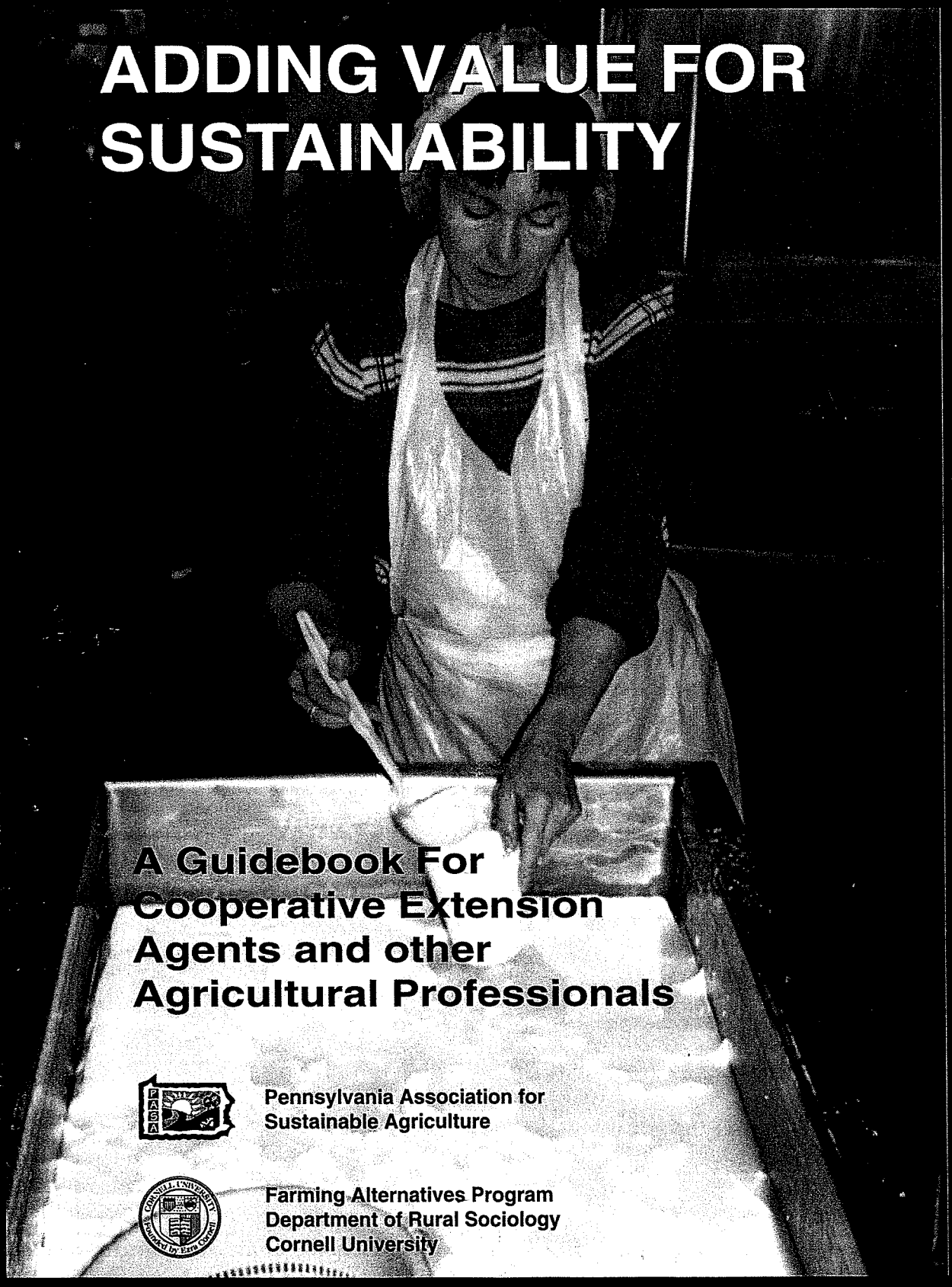
7. Slides

None

8. List of Participants

Enclosed

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

First printing July 1998

Editing, design and layout by Amy Christian and Duncan Hilchey.

Additional copies of this publication are available for $8.50 plus postage and handling from:

Pennsylvania Association for Sustainable Agriculture (PASA)
P.O. Box 419
Millheim, PA 16854
(814) 349-9856

Farming Alternatives Program (FAP)
17 Warren Hall
Cornell University
Ithaca, NY 14853
(607) 255-9832

Cover photo: Rita Kellogg of Side Hill Acres ladles goats' milk curds into cheese molds at the Cornell University Dairy Pilot Plant in Ithaca, NY.

Adding Value for Sustainability

A Guidebook for Cooperative Extension Agents and Other Agriculture Professionals

By
Kristen Markley
Pennsylvania Association for Sustainable Agriculture

and Duncan Hilchey
Farming Alternatives Program, Cornell University

Table of Contents

About the Sponsors 2

Authors 4

Acknowledgments 5

Section 1. Introduction 7

Value-Adding Defined

How Does Value-Adding Contribute to Sustainability? 10

Case Examples 14

Typical Value-Adding Start-Up Activities 18

Section 2. Management Considerations 21

Quality Products 24

Good Marketing 30

Sufficient Capital 38

Food Safety 44

Other Legal Issues 48

Summary 50

Section 3. Community-Based Support for Value-Adding 53

Introduction 54

Strategy #1 Specialty Food Networks/Associations 55

Strategy #2 Build Regional Product Identity 59

Strategy #3 Farmers' Markets as Incubators 62

Strategy #4 Food Processing Incubators (FPIs) 66

Strategy #5 New Generation Cooperatives 77

Strategy #6 Educational Programming 80

Conclusion 82

Bibliography 83

Appendix

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.

AUTHORS

Kristen Markley
Pennsylvania Association for Sustainable Agriculture
P.O. Box 419
Millheim, PA 16854
(814) 349-9856

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.

Duncan Hilchey
Farming Alternatives Program
17 Warren Hall
Cornell University
Ithaca, NY 14853
(607) 255-9832

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.

ACKNOWLEDGMENTS

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.

Tom Becker
Penn State Cooperative Extension – York County, PA

John Berry
Penn State Cooperative Extension – Lehigh County, PA

Steve Bogash
Penn State Cooperative Extension – Blair County, PA

Dan Brockett
Penn State Cooperative Extension – Venango County, PA

Lynda Brushett
Niche Marketing, Barrington, NH

Greg Burns
Penn State Cooperative Extension – Elk County, PA

Alison Clark
New York Sustainable Agriculture Working Group, Rochester, NY

Steve Crossen
New York Department of Agriculture, Division of Milk Control

Mike Cummins
Brush Valley Salsa, State College, PA

Tom Dimick
Penn State University, State College, PA

Mahmoud Elbegearmi
University of Maine, Orono

Dave Filson
Penn State Cooperative Extension – Mifflin County, PA

Vern Grubinger
University of Vermont & State Agriculture College, Brattleboro, VT

Amanda Hewitt
Cornell Cooperative Extension – Oneida County, NY

Kim Knorr-Tait
Tait Farm Foods, Centre Hall, PA

Cheryl Leach
Worker Ownership Resource Center, Geneva, NY

Winifred McGee
Penn State Cooperative Extension – Lebanon County, PA

Charlie Mentis
Cornell Cooperative Extension – Cayuga County, NY

Tom Murphy
Penn State Cooperative Extension – Lycoming County, PA

Olga Padilla-Zakour
New York State Food Venture Center, Geneva, NY

Jeff Patton
PA Produce Project, Harrisburg, PA

John Piotti
Maine Farms Project, Unity, ME

Judith Schwank
Penn State Cooperative Extension – Berks County, PA

Larry Yager
Penn State Cooperative Extension – Adams County, PA

SPECIAL THANKS
The authors also thank these individuals for their contributions to the Adding Value for Sustainability trainings and guidebook:

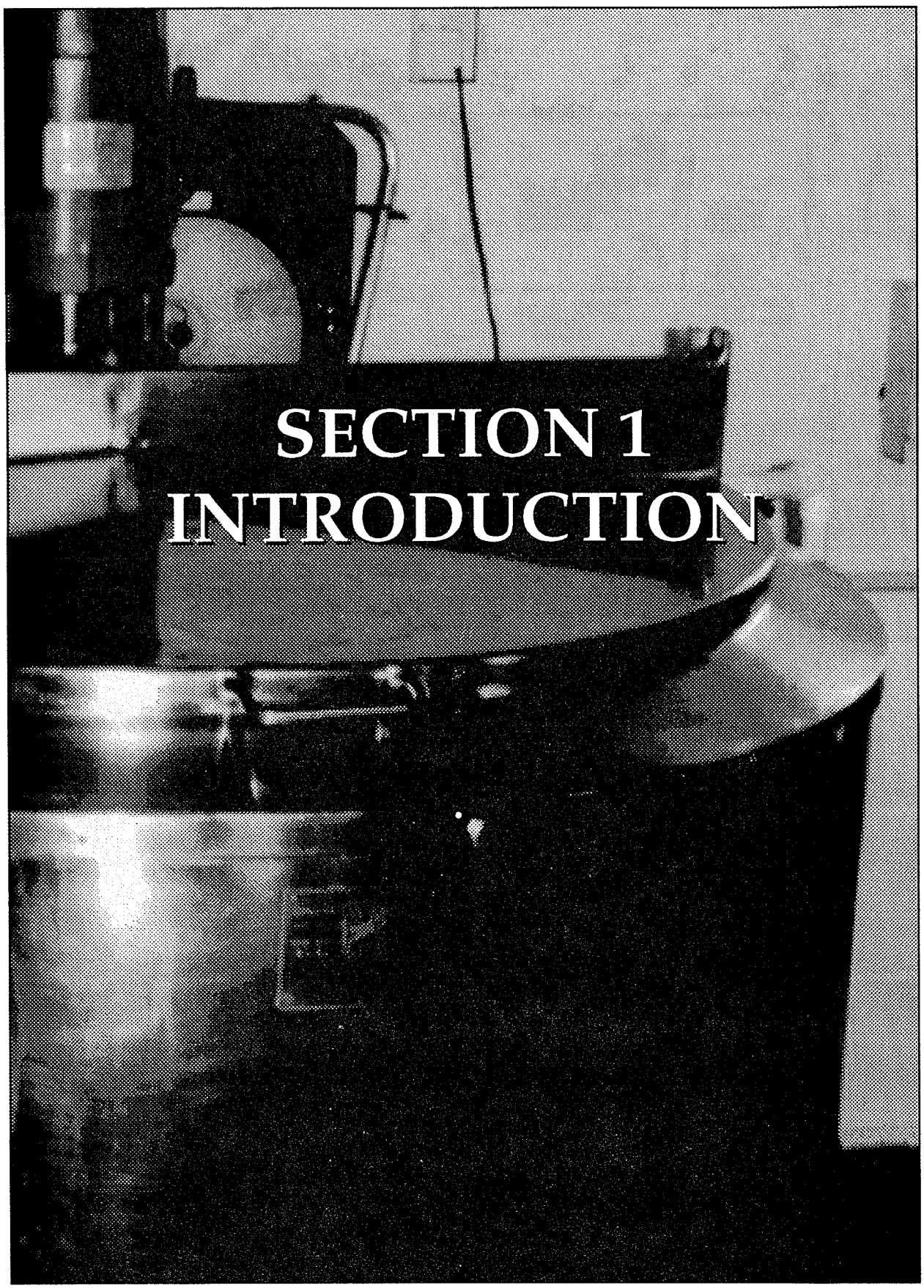
Jim and Adele Hayes
Sap Bush Hollow Farm , Schoharie County, NY

Rita and Russell Kellogg
Side Hill Acres, Candor, NY

James and Alma Weaver
Meadow View Farm, Kutztown, PA

Daryl Heasley
Northeast Regional Center for Rural Development (NERCRD), Penn State University, State College, PA

Beth Holtzman
NE Sustainable Agriculture Research and Education, Burlington, VT



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:

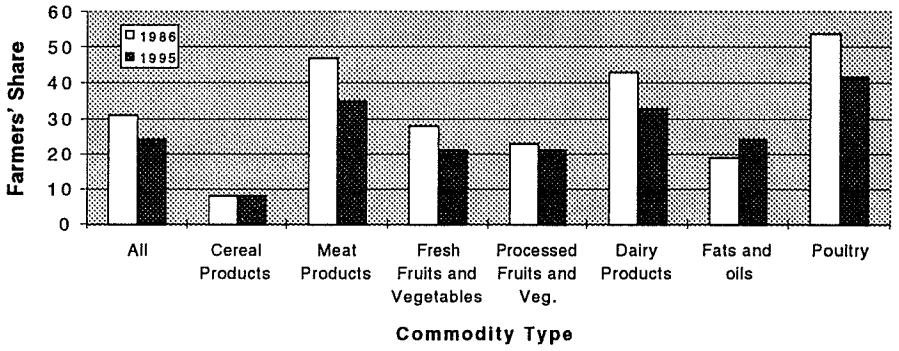
Northeast Regional Agricultural Engineering Service
Cornell University
152 Riley-Robb Hall
Ithaca, New York 14853
(607) 255-7654

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.

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,

Farmers' share of food dollar declining

Figure 1: Farmers' Share of Consumer Food Dollar



Source: USDA, *Agricultural Statistics,* 1997

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 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 agricultural 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 their products locally. The dollars generated from these activities tend to recirculate in the local economy longer than dollars generated from other businesses.

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

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

A sampling of hot pepper jellies from Meadow View Farm.

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.

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.

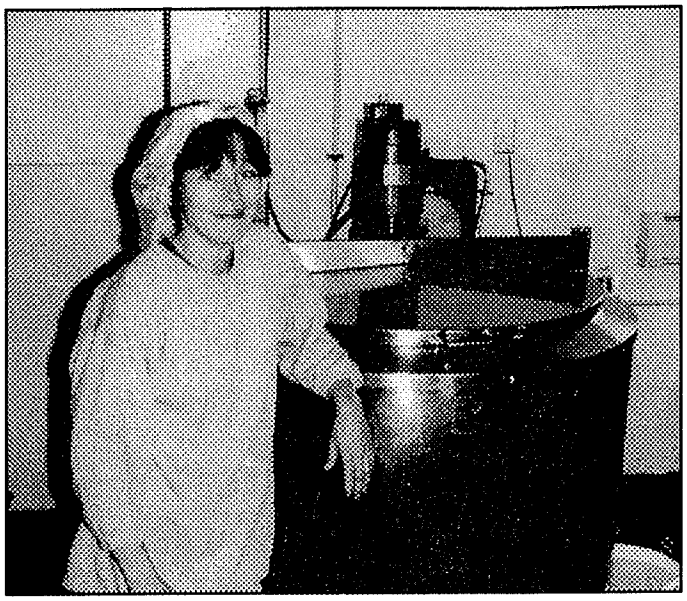
Adele Hayes (right) processing pastured poultry on Sap Bush Hollow Farm.

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 (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.

Side Hill Acres
Rita and Russell Kellogg
Candor, NY

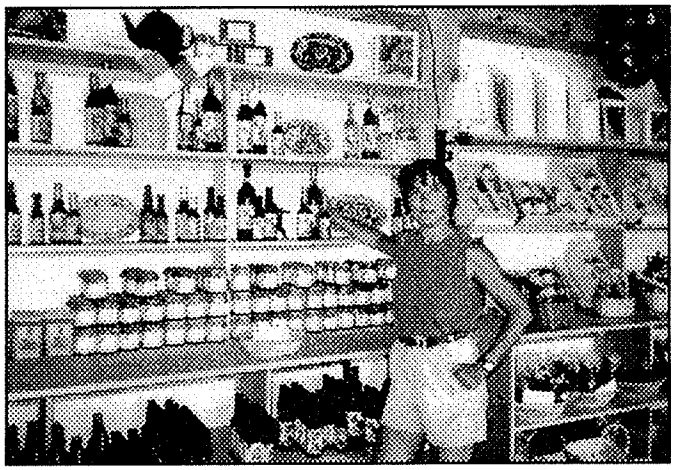


Rita Kellogg of Side Hills Acres with her pasteurizer.

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.

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

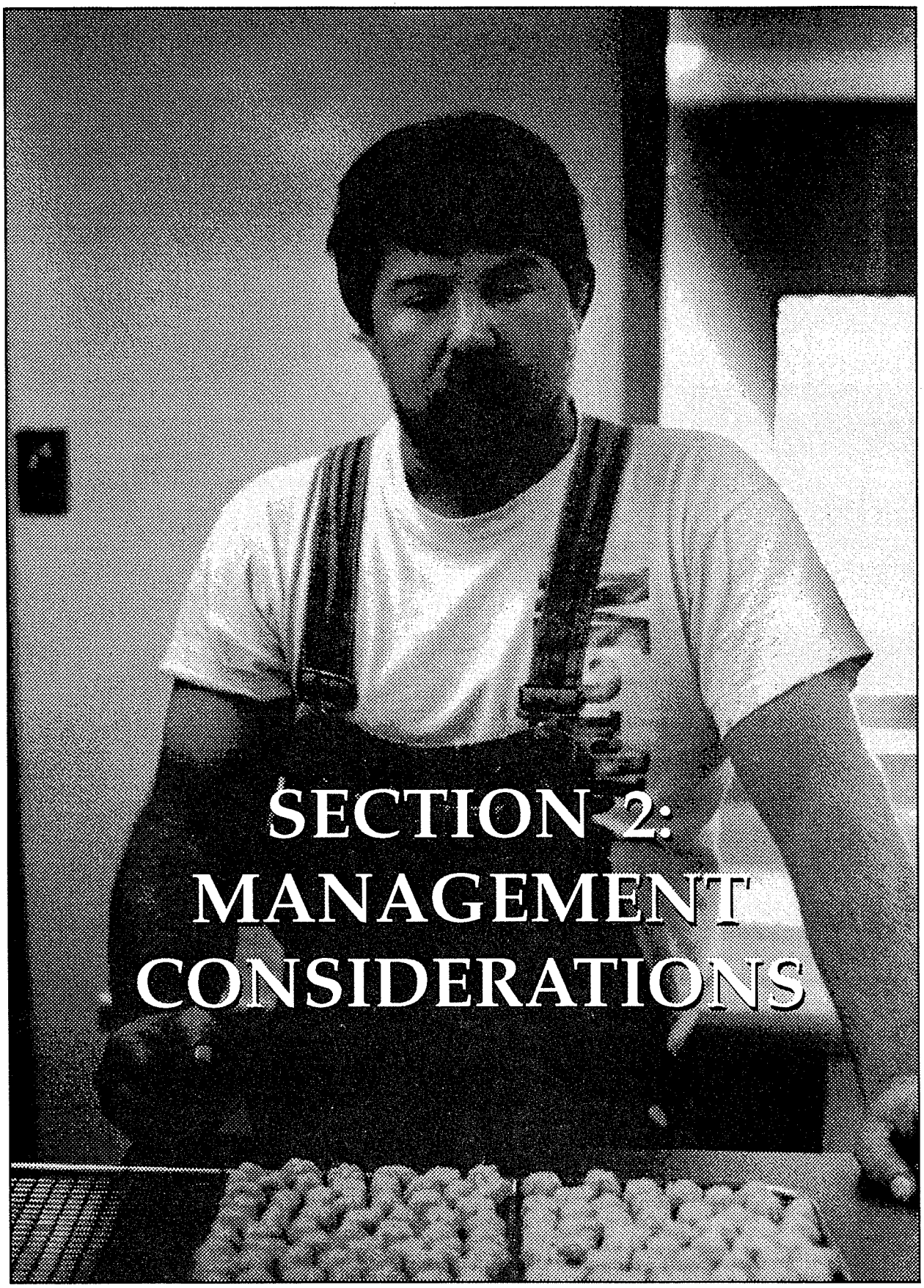
- Research co-packers and food processing incubators.
- Research sources of capital.
- Keeping captial costs down

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, 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 a 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.

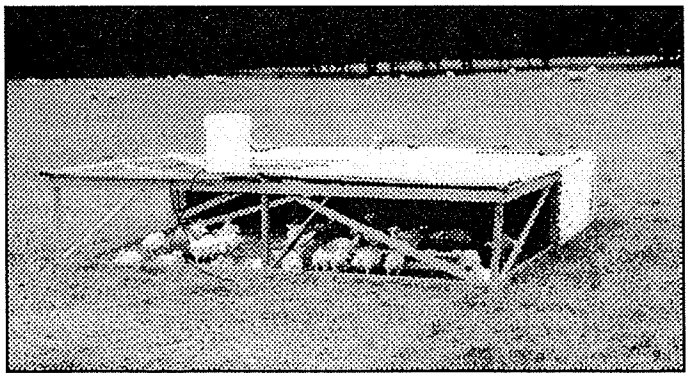
But it is equally important that the newly developed product is different from other products already on the market (Gibson, 1994).

> 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" in the marketplace. "Pull" products, on the other hand, are in high demand and thus the market could be crowded with competitors. Adele Hayes says, for example, "Sap Bush Hollow Farm began processing and selling chicken because everybody eats it." 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. "Without the taste difference between our chicken and what you find in the grocery store" says Jim Hayes, "we'd be out of business!"



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

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."

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:

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

Resources on Quality Products Continued

- *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.

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.

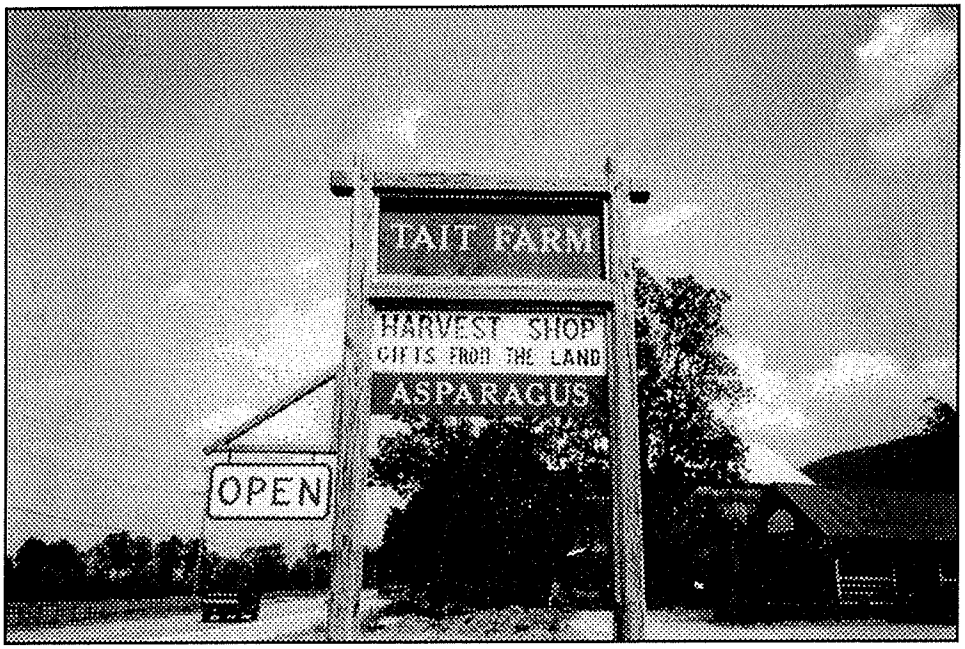
- *The New York State Food Venture Center* at Cornell University, New York State Agricultural Experiment Station, Geneva. Wide range of services including sensory evaluation, analytical services, packaging, labeling, product development, marketing, financial analysis, pilot plant. Contact Olga Padilla-Zakour, 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.

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 the chances of



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

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

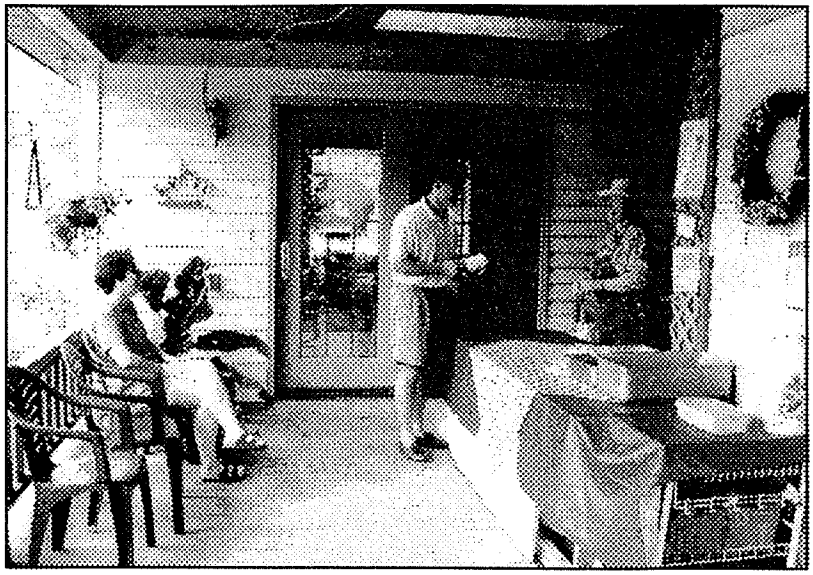
Prospective processors can contact their local Small Business Development Centers which offer many services and can refer them to the local Service Corps of Retired Executives (SCORE) chapter. Counselors from SBDC are trained to provide information on business and marketing plans; market research; funding 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 enourmous 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

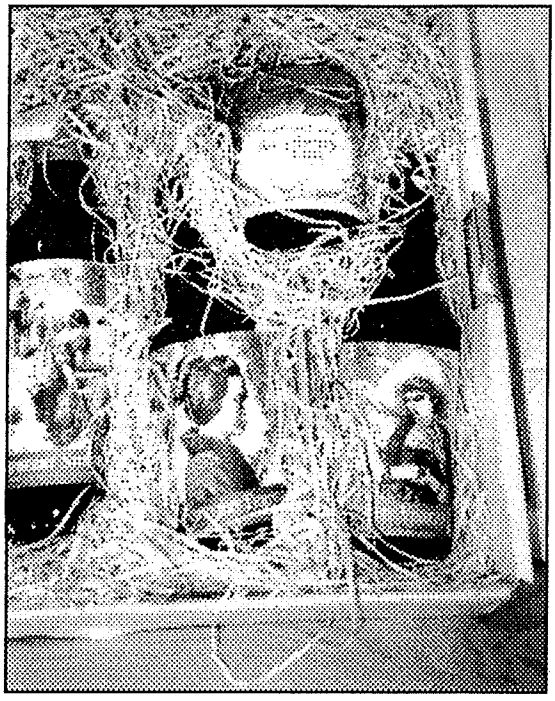
Wholesalers traditionally work with large volumes of goods over long distances, but a growing number of specialty-food wholesalers deal with smaller quantities. Selling to wholesalers can work well for a processor who does not have the marketing savvy for direct marketing or who is isolated geographically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

Specialty foods' big secret: Packaging

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.

Tell a story

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.

Samples and taste testing

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

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-

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.

Advertising versus promotion

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 **A**dvertising to **Z**oning 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).

Tait Farm Food's farm manager, Sabine Carey.

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.

Start-up capital

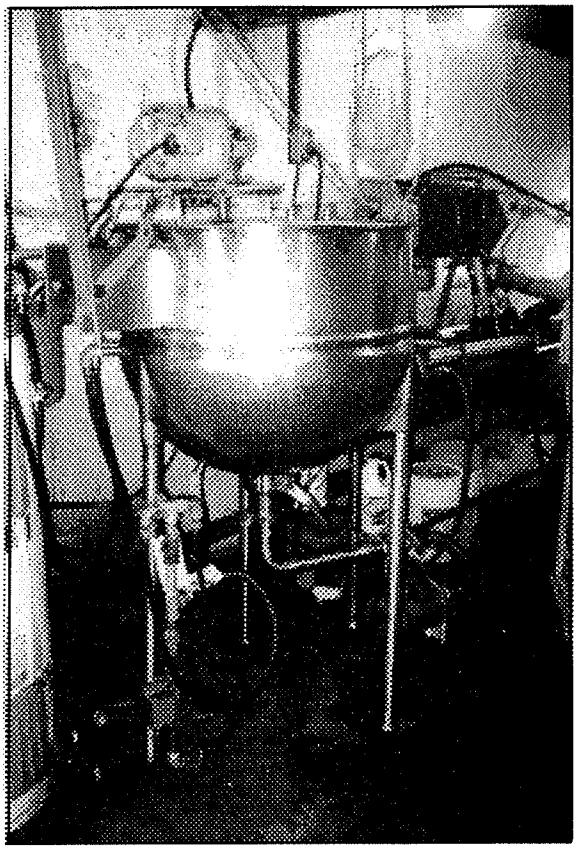
James and Alma Weaver's first year with a co-packer cost approximately $7,000 plus interest for the co-packer and other costs of the business. James now wishes that he had had $10,000 on hand in the beginning. Tait Farm Foods' starting budget was about $30,000 and their existing budget is about $200,000. 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.

Warning: Regulation adds 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."

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. Westminister, 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 management

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

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."

Expansion financing

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).

SBA guaranteed loans

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.

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.

Work *with* the Food Safety inspector for maximum benefit.

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.

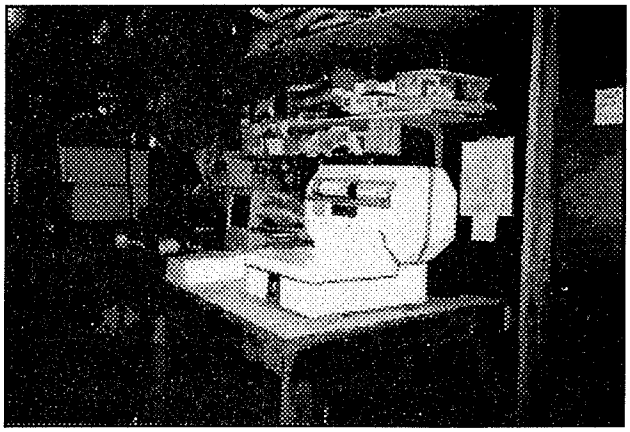
State contact numbers for questions regarding food safety and inspection for **fruit, vegetable,** and **dairy products:**

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: Burlingto	(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

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 prominant location in the processing room.

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: hibrid structure; combines the limited liability of a corporation with single taxation of sole proprietorship. A popular choice.

Cooperative: a memberhip-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).

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

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

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.

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

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:

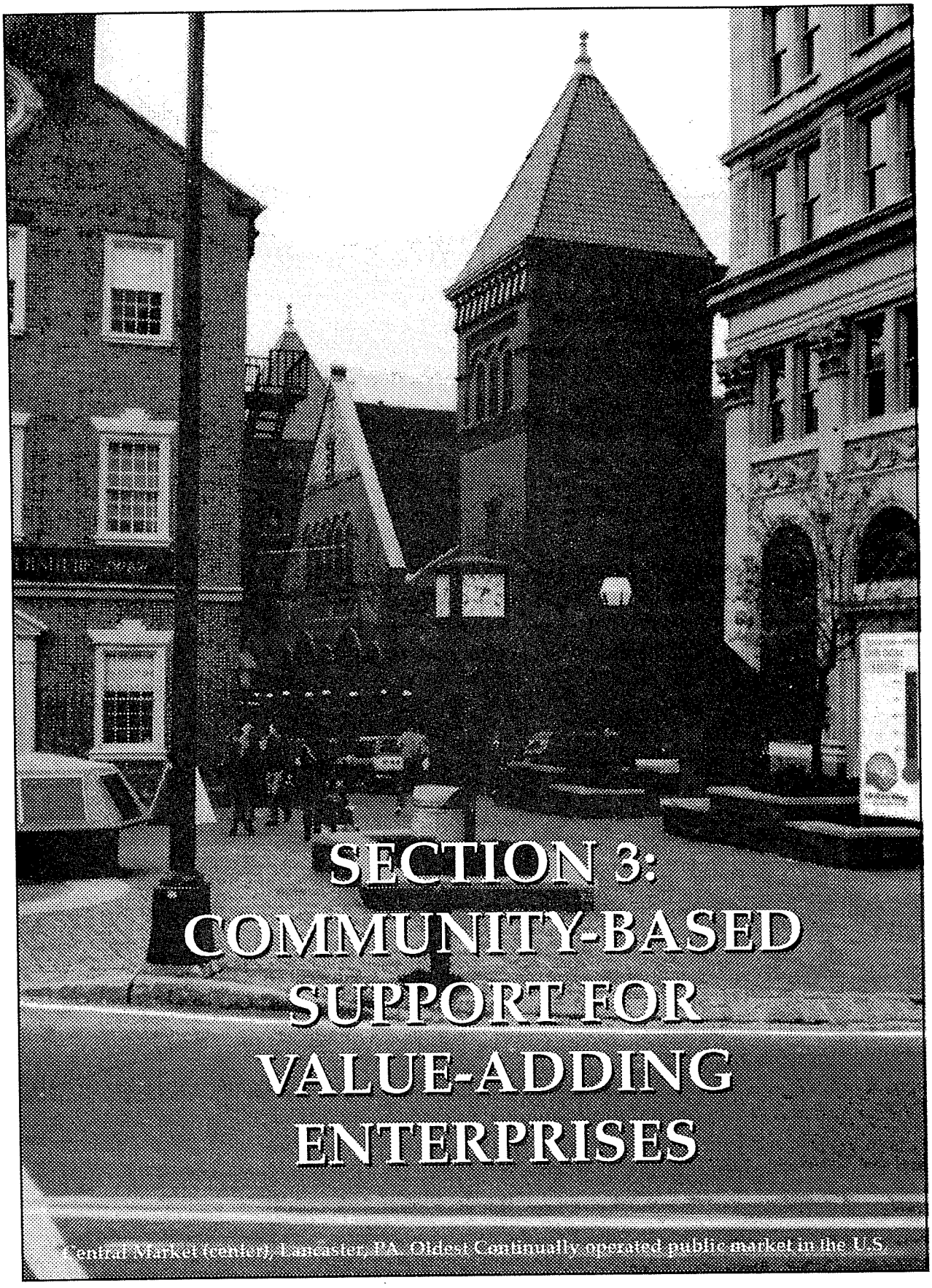
Meadow View Farm/James and Alma Weaver:
1. Having a product that is unique.
2. Having a person or an organization who can enthusiastically promote the product.
3. The right kind of labeling and packaging.

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.

Small firms should do more networking and cooperating than competing

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?

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 (discussed below), 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

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.

Groundwork for the association included a survey and conference

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?!!"

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

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).

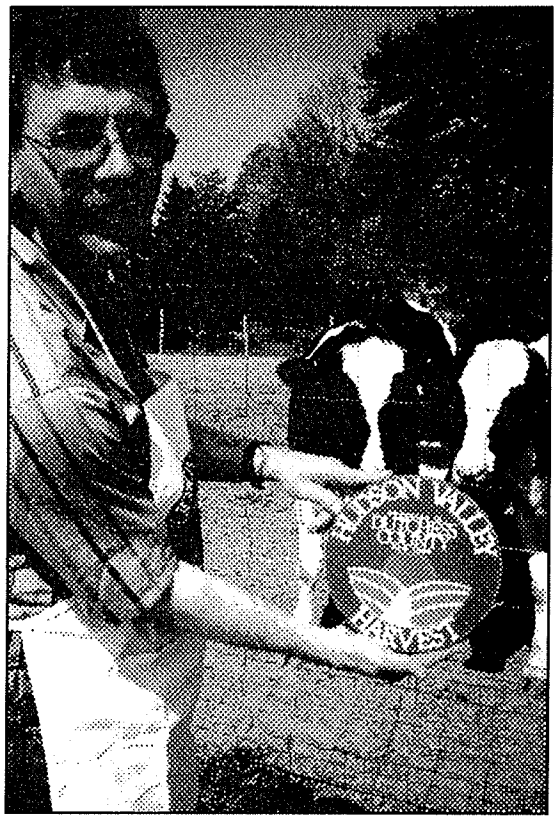
Vermont is a success story—*not* a model to copy. Each state and region must identify the soul of that place.

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.

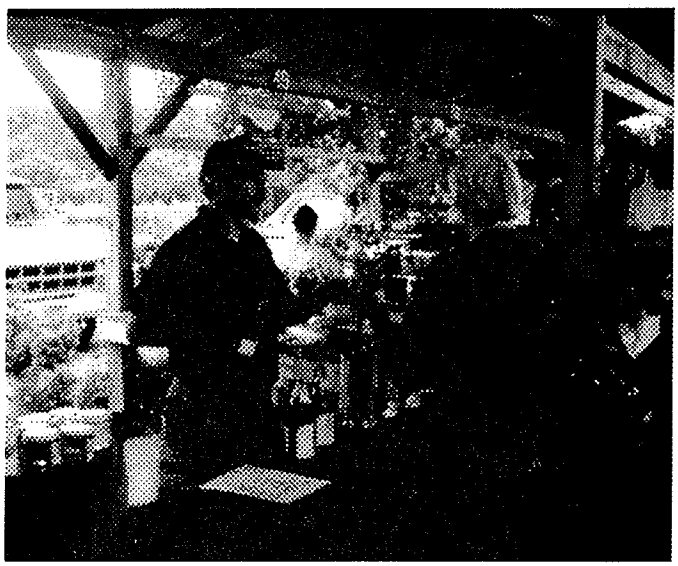
Bring consumers into the mix

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

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.



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

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.

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.

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

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)

- ***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 Explore 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. Variously 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 incubator.

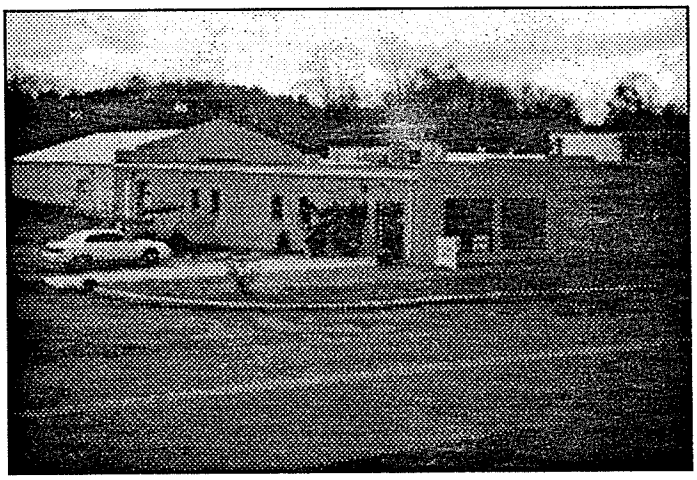
Several models to choose from

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.



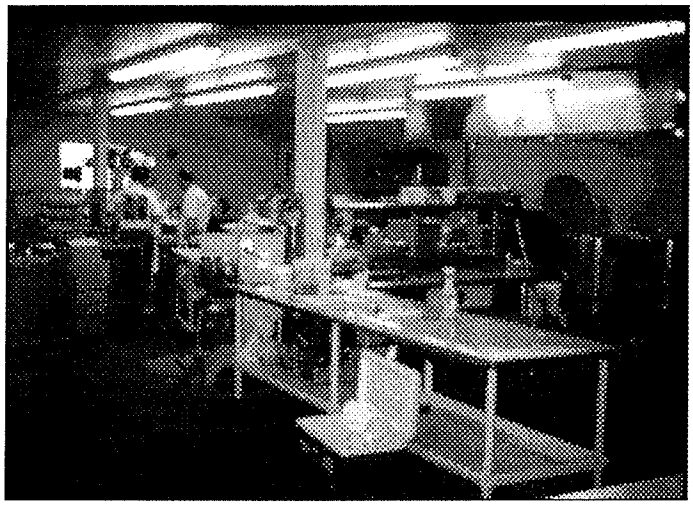
ACENet's Community Kitchen Incubator in Athens, OH. The storefront can be seen from the highway.

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

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).

The Community Kitchen Incubator is the centerpiece of ACENet's Food Ventures Network, which also includes microloans, business and financial planning assistance, food production and processing information and training, links to industry experts, and links to other specialty food businesses within its network of firms. (See page 56 for a complete list of services.)

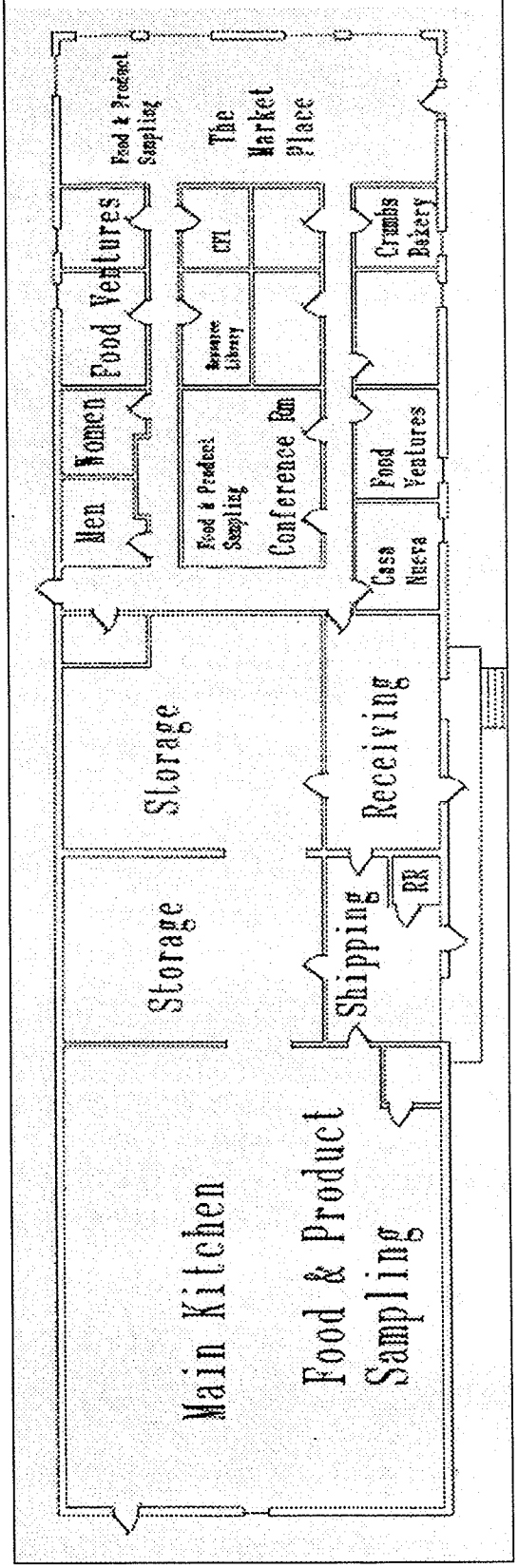
The Food Ventures Network has a staff of five including a project director, kitchen manager, business counselor, office manager, and retail sales manager.

In its first full year of operation, the Food Ventures Network assisted over 150 individuals and expanding firms. About 70 jobs were created by businesses participating in the program.

The staff do not expect the Community Kitchen Incubator to ever be fully self-sufficient. After only two years of operation, ACEnet is considering expansion and renovations. They already may have outgrown their present building—testimony to the need for their facilities and services.

Mountain Kitchens (multiple kitchen network) While ACENet's Community Kitchen Incubator is a single-site, regionally based facility straddling two states, Mountain Kitchens is a decentralized community-based network of kitchens for use by microprocessors. Mountain Kitchens is a collaboration between West Virginia's State Department of Agriculture (which provides the program staff), and Mountain Resource Conservation and Development (RC&D) of the USDA (which supplies the office space). Founded in 1993, Mountain Kitchens serves 12 counties located in the rugged country of southeastern West Virginia. Some of the counties have the highest unemployment rates in the state. The mission of Mountain Kitchens is therefore to assist home-based businesses and micro-enterprises. "Whatever it takes," says Cindy

Figure 5: ACENet Community Kitchen Incubator Floor Plan



Martel, program coordinator. "I'm dealing with people who have a dream. We're serving as an opportunity for people to decide whether they have a bankable product, and then they're going to move on [to bigger and better facilities]."

There were several reasons for establishing the network of kitchens rather using one centralized facility. It can easily take 1 to 1½ hours to drive from one end of a county to the other due to road conditions. Also, because of widespread mining activity, access to potable water is a critical issue. Adding impetus to the multiple kitchen approach is that co-packers are not an option for most West Virginia–based small-scale processors. Cindy notes there are very few non-meat food manufacturers in West Virginia. This seems to be a real problem in terms of helping people expand through co-packers. "I've got a client now who's the only one in the state commercially making bread and butter pickles. She looked at me the other day and said she's tired of turning out 200 jars a day. The problem is she can't find a co-packer to process them for her."

Geography and culture must be considered as part of an FPI's feasibility.

Presently there are eight kitchens in the network, located at restaurants, other processors, community centers, a local resort, and even a fire station. In most cases establishing the kitchen comes with a nominal capital or equipment costs—perhaps a pH meter and chlorine tester. In a couple of other kitchens more substantial capital investments have been made. For example, the equipment and renovations in a community center kitchen cost $40,000. Additional funding for this project came from local foundations that are interested in economic development in the region. But even this cost is a fraction of the investments made in other food processing incubators around the country.

None of the Mountain Kitchens is self-sufficient, but they are all economically feasible because the kitchens mainly serve some other public or private purpose. For the resort or the restaurant, having a Mountain Kitchen client rent the kitchen during its off hours means extra income for the business. For the firehouse or community center there is a public benefit in making maximum use of the facilities.

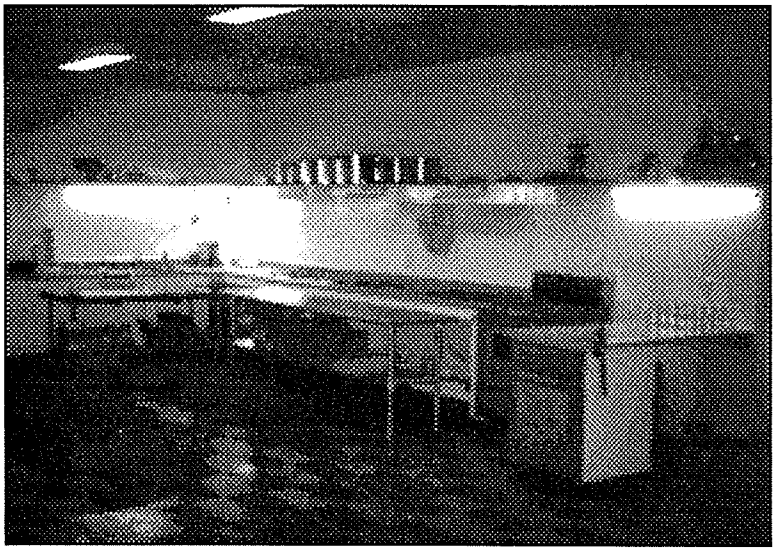
Mountain Kitchen facilities tend to be spartan. They generally include a basic kitchen, cold storage, prep tables, but no packing or assembling areas; a couple have shipping and receiving areas; only one kitchen has dry storage, and a commercial-scale dishwashing machine (most have 3-bay sinks). There are no offices, but a few have meeting areas. Mountain Kitchen clients have access to the

West Virginia Department of Agriculture's Rural Rehabilitation Loan Fund, a microenterprise loan program for promising businesses that have a large product order, but not enough working capital to fill it. This loan program has very few hoops that must be jumped through.

Regarding volume and services provided, program coordinator Cindy Martel says, 'I've got between 45 and 50 specialty food people that I deal with on a regular basis through technical assistance, production assistance, loans, and contacts. "Where do I go for a business plan?" That kind of information.' Of that total, there are currently 27 businesses using the Mountain Kitchen facilities, producing over 100 different specialty foods. Half are farmers, or people with large gardens. About 16 have graduated from these facilities and established themselves elsewhere in the region. To help with the load, Cindy has a counterpart who has technical processing background. She also works closely with the West Virginia Public Health Department sanitarian.

16 businesses have been incubated since Mountain Kitchens began in 1993.

According to Cindy, "Clients use the facilities 3 to 4 times per month on the average. And of that they're putting in 7 to 8 hour days. They definitely plan their usage real well there. And I encourage them to do that. They will pay anywhere between $5 to $15 per hour." Some interesting local products include green pepper jelly; chow chow (a relish made from several different vegetables); and wine, jelly, and various seasonings made from "ramps," which are in the onion family.



One Mountain Kitchen location: Salsa manufacturer Blue Smoke, Inc. of Chimney Corner, WV, rents its facility to other small-scale processors.

Perhaps reflecting the stoic and independent tradition of the state's mainly rural population, a number of clients question having to use Mountain Kitchens. They would like to continue doing their processing at home. "Their attitude is that they can do twice as much in their own home. The food safety aspects of this program are not quite clear to them, so we have some work to do on this issue."

Despite the challenges, Cindy is thinking about expanding the program. "Initially I thought one or two kitchens covering the 12 counties was going to do it," she says. "And what I'm realizing is that one per county isn't nearly enough." In all likelihood, Cindy will be quite busy establishing more local Mountain Kitchens over the next couple of years.

Example of a classic start-up

Mixed Company: One Processor's Experience in an Incubator

Pat Kelly is a typical food processing incubator client, using the "NH Cooks" kitchen incubator in Epping, NH, which opened in 1997. Pat makes jarred chili and Bloody Mary mixes. 'My chili mix came from a chili I made. Everybody asked me to bring my chili to the party. I always made Bloody Mary's for people. I also make homemade sausage. But I didn't want to get into meat once I started reading about all the regulations. So, I said "Canned chili is fine, but let me see if I can't do something different." So I started playing with my spices and then I decided to do the same thing with Bloody Mary's.' Pat learned about NH Cooks Kitchen from a newspaper ad. "I was sitting in an attorney's office and reading the *New Hampshire Business Journal.* There was a big ad. I was trying to figure where I was going to cook. I can't cook out of my house, I have two cats and two dogs and there's no way I can keep them out of the kitchen."

Her main source of income (and working capital for the new food processing business) comes from the ownership of a construction company, but her foray into food processing stems from a longing for something more fulfilling. "I'm tired of working with unions, tired of fighting with guys who don't think; tired of fixing machines that they break because they forgot there was a curb there. . . hitting cars and that kind of stuff!" She works 65 hours per week, with roughly half of that time on the new food processing business. Pat's business, called Mixed Company, is a sole proprietorship. She has a friend who helps with the business. Her friend is concerned about liability, so Pat is consulting an attorney about forming an limited-liability corporation or partnership.

Pat has a home office, and does her labeling there. All other functions are performed at the NH Cooks Kitchen. Her processing involves a classic three-step process: mixing, cooking and jarring. Cooking is done with a large steam kettle. To use the facility Pat had to take a health and food safety class. She also took a class on HACCP. Betty Gaudet, the kitchen manager, assists Pat with general production issues, but Pat is mostly on her own in terms of technical product development. How to label the product and get

The New Hampshire Cooks Kitchen food incubator.

UPC labels came from a handbook provided by NH Cooks. NH Cooks also assisted Pat in getting her process review (recipe approval) through the University of Maine (a state requirement); several New England states cooperate with the U. of Maine because it has the facilities and technical expertise. Pat is getting help on her business plan from the Small Business Development Center. A NH Cooks client must at least be in the process of writing a business plan to use the kitchen, or have a market already in place.

Pat Kelly (far right) with NH Cooks staff: from the left Rick DeMark, Nancy DuBosque, Betty Gaudet (kitchen manager).

NY Cooks has nurtured Pat's business on several fronts to help get it moving forward

Pat's trade area is local, but samples have gone to the Midwest, South and West Coast. She has used friends and family members to help make contacts. She is currently looking for a co-packer. 'But what does it say about my product when the label says "packed *for* Mixed Company? On the other hand starting my own kitchen was not really in my plan. I'm not sure I want to do everything by myself. The cooking, the marketing, the business end of it, and then the research and development is taking an awful lot of my time.' Given her ambivalence about co-packing, Pat is pricing her own kitchen as well.

Thus far, Pat has used the kitchen four times. She processes on the weekends, and will work nights if the business starts to take off. She uses the production and canning room for $26 per hour. NH Cooks uses an honor system, says Pat: "There's a sign-in sheet. It take us about 20 minutes to unload the van and get everything ready. You start production, stop production and put your times down. You fill out a form as to how you found the kitchen from prior cooks and any problems you might have had."

"It took me a year to get all the designs and everything going on this, but I really don't think I'd be this far along without knowing that I had a facility like this to cook in. And now that my project is in front of me, it absolutely gives you a great feeling." Pat thinks she will probably use the facility for a year to a year and a half.

As for the future Pat says "I'd like to see this new business pick up, run and I'd like to sell it and go on the Ladies Professional Golf Association (LPGA) tours." With any luck, and a lot of hard work, she just might make it.

The only Cooperative Extension–supported shared-use kitchen in the U.S.

Extension Office Opens Certified Community Kitchen

Cornell Cooperative Extension of Cayuga County, in the Finger Lakes region of New York, has established a shared-use kitchen at its Extension Association Education Center in Auburn, New York. Called the Cayuga County Certified Community Kitchen, the large kitchen was originally used for home economics demonstrations and related activities. As home economics educational programs changed over the years and evolved into their present day human ecology programs, the kitchen had been primarily utilized as a meeting room. There had even been some thought given to tearing out the large kitchen and converting it into two separate rooms, a kitchenette and a separate conference room.

Cornell Cooperative Extension of Cayuga County's shared-use kitchen in Auburn, New York.

The idea of the kitchen's conversion to a shared-use processing facility emerged in response to community requests for such a facility and as Cornell Cooperative Extension explored ways to maximize its resources and to increase connections between economic development, small business education, and its agricultural foundation and expertise.

The association received a $2,000 grant from a local Walmart store in the summer of 1997, and renovations and equipment purchases soon followed. The association grappled with liability insurance issues for months. This is finally settled, and the facility is now open for public use. The kitchen will be available for rent by the hour or day. Some storage space is also available. Technical assistance will be offered in areas such a regulatory requirements, recipe development, production, and marketing.

Mobile Food Processing Units

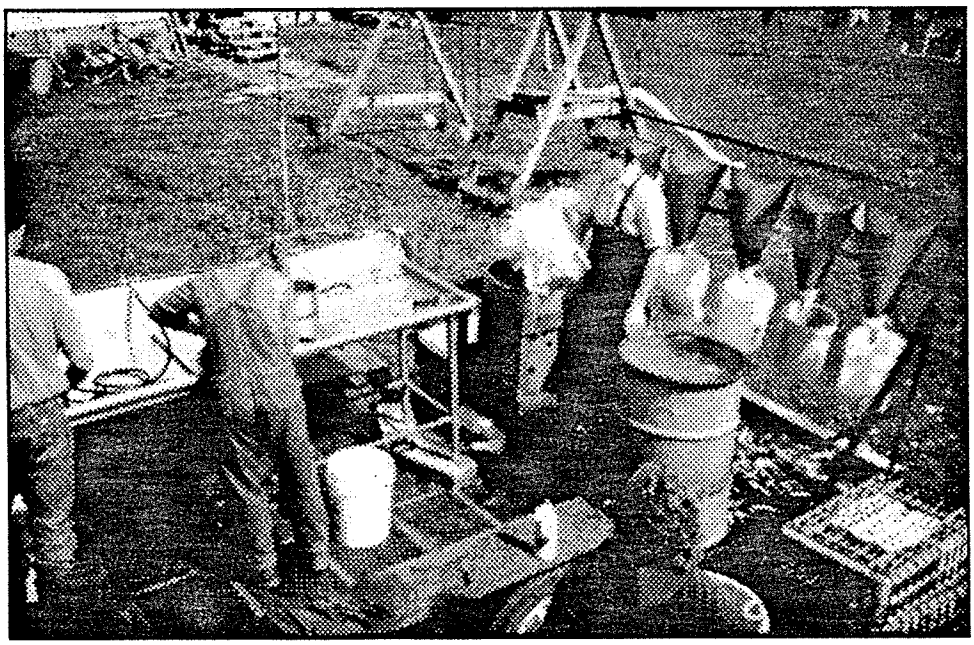
The mobile food processing unit is a variation on the FPI concept. Mobile food processing has been a long-standing tradition in Europe. In France, for example, vinegar brewers still travel around from vineyard to vineyard to produce a popular and pungent beverage. Mobile processing provides a way for multiple producers to share expertise and equipment that is otherwise cost-prohibitive.

Pasture Poultry Mobile Processing Unit (MPU)

The Central New York Pasture Poultry Association (PPA) developed a mobile processing unit (MPU) as a means of teaching its members how to efficiently process their poultry. The PPA was established in 1995 with the objective of developing an alternative livestock enterprise with the potential to generate additional farm or homestead income. In just two years membership has increased to over 50 producers in three counties. This is largely due to the support of the South-Central (NY) Resource Conservation and Development (RC&D) program located in Norwich, New York.

While the MPU was initially a demonstration facility, it is turning out to be an important production tool providing start-up pasture poultry operators with critical early cash flow.

The unit was built by RC&D, with funding from Heifer Project International and the USDA–National Resource Conservation "Graze-NY" program. The MPU rests on a 25' mobile home trailer



The Central New York Pasture Poultry Association's Mobile Processing Unit in operation. The man at right is standing between the scalder and plucker, with kill cones behind him.

with a reinforced frame and metal grating floor that can be hosed down for easy cleaning. A half-ton pickup truck tows the unit to individual farms where producers use it to speed processing of their birds. The MPU required 70 hours of donated labor to construct and $3,000 in materials. It consists of:

The MPU's technological simplicity kept its cost down, while insuring long-term functionality.

- 5 poultry crates for live birds;
- 5 poultry kill cones to ensure proper bleeding;
- A propane-fired scalder fashioned from a metal drum capable of handling three or four birds at a time;
- A homemade 3-to-4–bird barrel-type feather plucker;
- A stainless steel processing table;
- Chilling tanks;
- Knives and scales;
- A 20-foot tarp that can be raised to provide shade or protection from the elements; and
- Hook-ups for 110-volt electricity and water.

The RC&D charges the producers a small per-bird fee plus mileage. This compares very favorably to the $1 to $1.50 per-bird fee charged at state-licensed processing facilities. Experienced farmers can process 20 birds per hour with the MPU, providing critical savings for start-up pasture poultry operators.

Food Processing Incubator Critical Issues

The future of food processing incubators in the Northeast is uncertain. Assuming a market radius of approximately 40 to 75 miles, these facilities will provide relatively local services—meaning, of course, that there may be plenty of room for the establishment of other food processing incubators elsewhere in the region. An important caveat, however: Food processing incubators are a relatively new development tool. Some studies have shown that incubators, in general, have mixed results. FPIs have precious little track record to go by, and very little is known about their efficacy.

Money, over-optimism, and politics

Adding to the complexity of the issue are some common stumbling blocks which tend to plague these projects: (1) financial issues (including capital budgeting and generating enough cash flow to support an operating budget); (2) snowballing optimism, which sometimes flies in the face of reliable data which suggests the project could fail or not meet its objectives; and (3) politics (e.g. agency turfism and adequate stakeholder participation). Often these three are interwoven into a complex web that is difficult to untangle. Establishing an FPI is a protracted process. FPIs always take longer to establish than most sponsors expect. There are al-

ways delays in funding, construction, and equipment purchases. A good rule of thumb is to plan on things taking twice as long as they seem to require on paper.

Any community or organization interested in exploring the FPI concept should get a copy of a publication entitled *Establishing a Share-Used Commercial Kitchen,* $62 ($58 plus $4 shipping), published by the Western Entrepreneurial Network. To order, contact Bob Horn at the University of Colorado at Denver, Campus Box 128, P.O. Box 173364, Denver, CO 80217-3364; (800) 873-9378. This is the most comprehensive how-to manual on the subject and is well worth the cost.

STRATEGY #5 Consider New Generation Cooperatives

Numbering over 100 today, New Generation Cooperatives are popping up in the Northern Plains states including the Dakotas, as well as Minnesota and Wisconsin. New Generation Cooperatives focus primarily on raising farmer-member incomes through value-added processing of raw, undifferentiated commodities that are common in the Northern Plains, such as a wheat, corn and milk, into high-value products such as specialty pasta and cheeses.

The history of the advent of the New Generation Cooperatives, so the legend goes, is that South Dakota hired high-paid consultants to tell the state how to deal with its declining population and economy. After reviewing the dire circumstances, the consultants recommended that the state "help the remaining people of South Dakota pack their bags." Ignoring the recommendation, the state of South Dakota did just the opposite, by investing in funds to promote rural development. A cooperative specialist was hired, and thus began one of the most successful rural development projects in recent years.

The New Generation Cooperative is different from ordinary producer or marketing cooperatives in several ways: First, farmers own the cooperative, and decision-making is democratic. Second, since the farmer-members each raise capital to invest in it, they tend to be very loyal to the co-op, eliminating what for ordinary co-ops is a serious problem. Finally, New Generation Co-ops transform ordinary commodities into high-value products which have strong demand.

New Generation Co-ops Start in Small Rural Communities

Dakota Dairy Specialties Co-op
- Town of Hebron, ND (pop. 888)
- 45 members
- 8–16 jobs to be created
- $1.5 million specialty cheese plant

North American Bison Co-op
- Town of New Rockford, ND (pop. 1,604)
- 180 members
- Created 10 jobs
- $1.6 million bison processing facility

New Generation Co-op Keys to Success
- Defining a common need or opportunity
- Conducting a feasibility study
- Developing a business plan
- Holding an equity drive
- Launching the business

Linking Farmers and New York City Consumers Through a New Generation Cooperative

The ultimate sustainable agriculture marketing strategy?

If South Dakota grain farmers can do it successfully with pasta, imagine what farmers on the urban fringe in the Northeast could do. For example, establishing a New Generation Dairy Cooperative that processes and distributes its own high quality "Watershed" milk to New York City consumers? New York City is spending $36 million to clean up its watershed. A major part of the plan is to encourage farmers to participate in a whole-farm planning process. To assure New York City consumers that their purchase of watershed milk is helping to clean their water supply, a farmer's membership in the co-op could be contingent upon his or her completion of a whole-farm plan. Having such a requirement gives the co-op's products a marketing hook with these consumers. New York City consumers, then, get the opportunity to economically reinforce the whole-farm planning process beyond the $36 million the city has already committed. A watershed dairy initiative might start out with fluid milk, but could process cheeses, ice cream, and other dairy products in the future.

Naturally, a project like this would be very challenging. Cooperatives can be fragile organizations. The advent of a development

effort like this will ultimately come down to how farmers view the status quo. Funding to help establish a New Generation Cooperative like this might come from the state as well as the USDA. The USDA's Fund for Rural America, for example, could provide resources to conduct some applied research and Extension work related to the project.

Whatever projects might evolve, the most successful ones will likely take advantage of the environmental links between farmers in the watershed and New York City consumers, and create new economic links that reinforce the relationships. Linking water quality to community agriculture development and farm profitability seems like a common-sense approach that might yield many benefits for the region now and in the years to come.

A Final Word of Caution

While New Generation Co-ops have enjoyed publicity over the last 10 years, little economic impact analysis has been conducted on them, and the jury is still out on how sustainable this strategy is. Few, if any, New Generation Co-ops are known to exist in the Northeast U.S. It is possible that despite what could be enormous potential, the tradition of rugged individualism may undermine any efforts to get New Generation Cooperatives established in this region.

Resources on Cooperatives

- Henehan, B., et al. 1997. ***Cooperating for Sustainability: A Guidebook for Educators, Advisors, Consultants, and Rural Economic Developers.*** Cornell Cooperative Enterprise Program, Cornell University, Ithaca, NY. Available through Cornell Media Services: (607)255-2080.

- Anderson, B. et al. 1995, ***Putting Cooperations To Work; A Handbook for Rural Businesses, Economic Development Groups and Planning Agencies.*** Cornell Cooperative Enterprise Program, Cornell University, Ithaca, NY. Available through Cornell Media Services: (607)255-2080.

- The **Cooperative Services** branch of Rural Business-Cooperative Service (USDA) is expanding their technical assistance role to bring the service closer to the users and to make technical assistance available to all types of rural cooperatives. More information about cooperative development assistance can be obtained by contacting Lowell Gibson (315) 477-6425, or Kathy Klossner (607) 272-3023.

STRATEGY #6 Educational Programming

There are several types of educational programs which can be effective in working with food-processing entrepreneurs. Here are some general guidelines for developing educational programs:

Educational programming should also be community building.

1. Put a working group together. Include existing and would-be processors, as well as management professionals, such as accountants, attorneys, and food-safety inspectors.

2. Identify the core issues (e.g., marketing, food-safety regulations, business management).

3. Identify the target audience and stakeholders (e.g., farm-based value-adders, non-farmers, start-up businesses, existing businesses, food safety inspectors, etc.).

4. Design educational program(s) to address the core issues. Workshops and tours of processing operations seem to work well for this audience. Here are some tips on doing workshops and tours:

Workshops

There are many ways to conduct this workshop. The following is one possible outline:

a. *Introduction*

After welcoming everyone and briefly outlining the objectives of the workshop, have participants quickly introduce themselves and mention one opportunity or challenge they are presently dealing with. Keep this short and to the point, and use a flipchart or chalkboard to jot these issues down for later reference.

b. *Panel of presenters*

Depending on the objectives of the workshop, use two or three processors (e.g., dairy, fruit, vegetable, and meat—have each of them deal with different issues and food safety concerns). Panelists talk for 10 to 15 minutes each, not including question and answer time. The objective here is *not* to address every possible issue, but simply to further immerse the participants in the key issues. The next part of the workshop will allow participants to get very specific, detailed answers to their questions.

c. *Small Group Discussion*
Have the participants break up into small groups (segregating into commodity groups seems to work best). By now, everyone should be generally familiar with the issues and anxious to delve deeper into them. The format here is to have an in-depth question and answer session. Each group should be facilitated and resource people with specific technical expertise should be available to address complex issues. Reintroduce any relevant issues raised at the beginning of the program. In addition, facilitators might introduce the concepts of regional product identity, flexible networks, incubators, cooperative purchasing, and marketing. Any other opportunities for working together should be discussed. Keys ideas and issues should again be jotted down on a flipchart for later reporting.

d. *Small Group Reporting to Large Group*
Volunteers report salient issues to the whole group. Commonalities as well as gaps in information are noted and discussed. Explore the interest or need for further programming in value-adding. Is the group interested in tours, would they like to form a working group which could explore other possibilities, such as incubators, networks and coops? What about an association? (Beware—this question may be premature.)

e. *Summary*
The workshop leader summarizes the concerns, issues, and opportunities, and puts forth an outline of the next steps. The participants make final comments and the meeting adjourns.

Materials

Copies of this publication, or photocopies of certain sections (e.g., management concerns, or community support strategies), and a flipchart and/or overhead projector.

Tours

a. Decide whether you are going for *depth* (in one type of operation or food product) or *breadth* (covering a number of different operations or products), or both.

b. Conduct no more that 3 tours per day.

c. Use buses or vans since too many cars waste resources and can be overwhelming to a processor.

d. During travel time have someone lead a discussion on the key issues of small-scale food processors (see appendix for results of the New York Small-Scale Food Processing Survey).

e. Provide for visitors' comfort (restroom breaks, meals or snacks, beverages, etc.)

f. Ask the host processor to give a 5-to-10-minute talk about his or her business and industry. Prepare the speaker by asking him or her to discuss facilities, markets, history, challenges and opportunities. Recognize he or she may have proprietary information he or she cannot share.

g. Have a food-safety inspector attend, and talk briefly about HACCP.

h. Wrap up before leaving by asking the group about what they have learned, and what more they would like to know.

CONCLUSION

This guidebook has offered insight and referrals to additional resources on small-scale processing enterprise development. The information presented, although extensive, could not contain every detail of the issue. It is hoped that the guidebook will provide a foundation for the reader to build upon by working with interested processors and community groups. Whether it is on-farm processing or food processing incubators, there are numerous avenues that Cooperative Extension agents and other agricultural professionals can explore with processors and community groups. Each situation is unique and the different avenues presented in this guidebook can be researched and modified to meet the needs of a particular processor or community.

A good place to begin your further research is with the publications listed in the bibliography that follows.

Bibliography (and references cited)

Anonymous. 1995. *Growing Your Own Specialty Food Business.* Kingston, NY: New York State Small Business Development Center (NYSBDC), Ulster County Community College.

Anonymous. 1996. *The Small Business Financial Resource Guide.* Leston, VA: Braddock Communications, Inc.

Ballon, M. 1995, "Pretzel Queen," *Forbes*, March 13, 1995, pp. 112–13.

Center for Industrial Engineering Technology, 1996, Website: www.newengland.net/ctma/iiet.htm. New Britain, Connecticut.

Center for Rural Pennsylvania. 1994 *Starting and Strengthening Farmers' Markets in Pennsylvania* 212 Locust St., Suite 604, Harrisburg, PA 17101; (717) 787-9555.

County Business Patterns. 1987, 1992. Data missing for Connecticut and West Virginia.

Gibson, Eric. 1994. *Sell What You Sow. A Grower's Guide to Successful Produce Markets.* Carmichael, CA: New World.

Gillespie, Gilbert Jr. 1995. *Proposal Narrative: Commercial Small-Scale Food Processing in New York: Value Adding for Sustainable Agriculture.* Ithaca, NY: Cornell University.

Grudens-Schuck, N., et al. 1988. *A Guide to Evaluating the Feasibility of New Farm-Based Enterprises.* Farming Alternatives Program: Community Agriculture Development Bulletin Series.

Hall, Stephen F. 1996. *From Kitchen to Market.* Chicago, IL: Dearborn Financial Publishing, Inc.

Hilchey, D., Welsh, R., Knight, A., Green, J., Clark, S., Goodwin, A. 1996. *Horticultural Innovators: Case Studies of Seven Entrepreneuial Growers in New York,* Farming Alternatives Program: New Agriculture Bulletin Series.

Hilchey, D., Leonard. N. 1995. *Cultivating Farm, Neighbor, and Community Relations: Creative Approaches For Reducing Farm-Related Land-Use Conflict.* Farming Alternatives Program: Community Agriculture Development Bulletin Series.

Hilchey, D., Lyson, T.A, Gillespie, G.W. 1995. *Farmers' Markets and Local Economic Development: Entrepreneurship, Small Business Incubation and Job Creation in the Rural Northeast.* Farming Alternatives Program: Community Agriculture Development Bulletin Series.

Lyson, T.A, Gillespie, G.W., Hilchey, D.H. 1995. "Farmers' Markets and the Local Community: Bridging the Formal and Informal Economy" American Journal of Alternative Agriculture. 10 (3): 108-113.

Hilchey, D. 1993. *Agritourism in New York State: Opportunities and Challenges in Farm-Based Recreation and Hospitality,* Farming Alternatives Program.

Hilchey, Duncan. 1994. Vol. 3, No. 1, Fall 1994. *Farming Alternatives* newsletter. Ithaca, NY: Farming Alternatives Program, Cornell University.

Integrity Systems Cooperative Co. 1997. *Adding Values to Our Food System: An Economic Analysis of Sustainable Community Food Systems.* Everson, Washington: Integrity Systems Cooperative Co.

Jack, K., Bills, N., Boisvert, R., *Policy Issues in Rural Land Use,* Department of Agricultural, Resource and Managerial Economics, Cornell Cooperative Extension, vol. 9, no. 2, December, 1996.

Lyson, T., Gillespie, G.W., and Hilchey, D. 1995. "Farmers' Markets and the Local Community: Bridging the Formal and Informal Economy," *Lyson, T.A, Gillespie, G.W., Hilchey, D.H. 1995. "Farmers' Markets and the Local Community: Bridging the Formal and Informal Economy" American Journal of Alternative Agriculture. 10 (3): 108-113.*

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

O'Neill, Kelly. 1997. *Emerging Markets for Family Farms: Opportunities to Prosper through Social and Environmental Responsibility.* Walthill, NE: Center for Rural Affairs.

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.

Sommer, Robert. 1980. *Farmers Markets of America: A Renaissance.* Santa Barbara: Capra Press.

U.S. Department of Commerce. 1975. *Historical Statistics of the U.S., Colonial Times to 1970.* U.S. Department of Commerce, Bureau of the Census. House Doc. No. 93-78 (Part I). "Farm to Retail Price Spreads of Farm Food Products. Market Basket of Farm Food Products," p. 489.

USDA. 1993. *Agricultural Statistics.* United States Government Printing Office, Washington, DC. 1993. Table: "Price Components for a Market Basket of Farm-Oriented Food Products by Food Group, U.S. Market Basket of Farm Food Products 1983-1992," p. 366.

APPENDIX

Small-Scale Food Processing Enterprise Survey Results

SURVEY RESULTS

1996 Small-Scale Food Processing Survey

Gilbert W. Gillespie, Jr.
Duncan Hilchey
NYSAWG

Cornell Cooperative Extension
Food Venture Center
NYS Dept. of Agr. & Mkts

Funded By
NE SARE

SURVEY OBJECTIVES

- General characteristics
- Strengths
- Limitations/barriers
- Opportunities
- Potential collaborations
- Public policy recommendations

Farming Alternatives Program
Cornell University

Small-Scale Food Processing Enterprise Survey Results

•SURVEY METHODS

- < 20 employees
- Sample of 600
- Mail questionnaire
- 30% Response rate

•Respondents

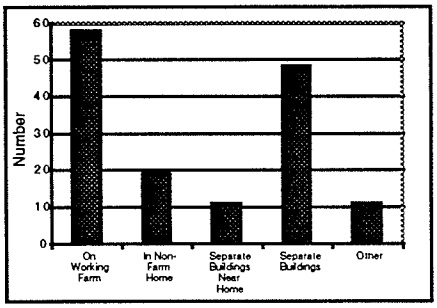
- **46% farmers**
- **50% process fruits/veggies**
-
- **37% < $25,000 (TBS)**
- **47% > $100,000 (TBS)**
-
- **33% county sales**
- **33% multi-county/NY State**
- **33% multi-state**
-
- **29% "breaking even"**
- **53% "modest" profit**
- **5% "significant" profit**

Farming Alternatives Program
Cornell University

Small-Scale Food Processing Enterprise Survey Results

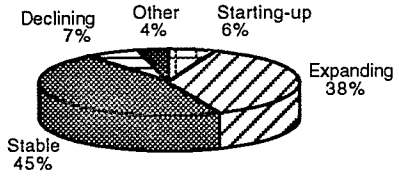
CHARACTERISTICS

Setting/Location



CHARACTERISTICS

Current State of Business (Sales)

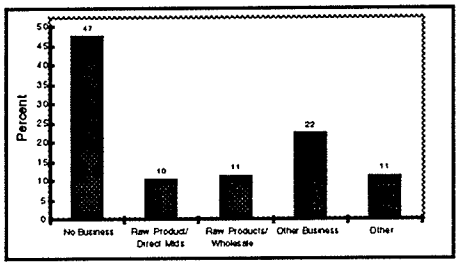


Farming Alternatives Program
Cornell University

Small-Scale Food Processing Enterprise Survey Results

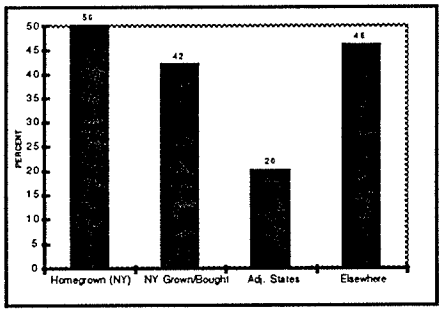
CHARACTERISTICS

Main Business Before Food Processing



CHARACTERISTICS

Where Ingredients Come From

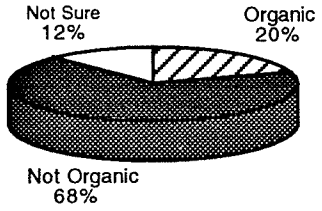


Farming Alternatives Program
Cornell University

Small-Scale Food Processing Enterprise Survey Results

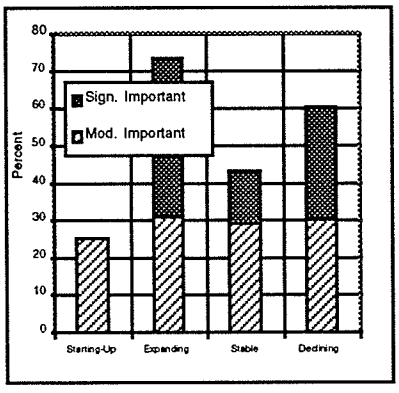
CHARACTERISTICS

Organic Products?



IMPORTANCE

Income



Farming Alternatives Program
Cornell University

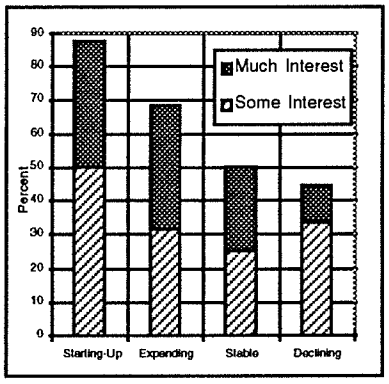
Small-Scale Food Processing Enterprise Survey Results

•NEW OPPORTUNITIES

- #1 Specialty food directory
- #2 Trade shows
- #3 Joint market development
- #4 Joint purchasing
- #5 Access to food technology services

OPPORTUNITY:

Joint Market Development



Farming Alternatives Program
Cornell University

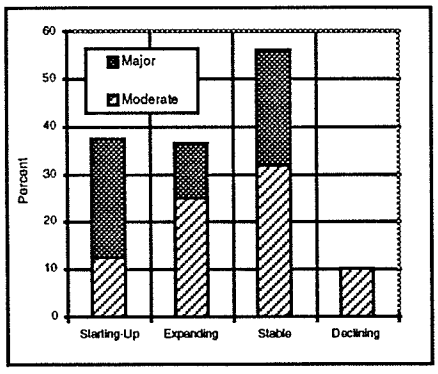
Small-Scale Food Processing Enterprise Survey Results

•LIMITATIONS

- Cost of advertising
- Cost of liability insurance
- Affording needed employees
- Taxes
- Workers' compensation
- Unemployment tax
- Cost of complying w/ Regs
- Start-up/Expansion financing

LIMITATION:

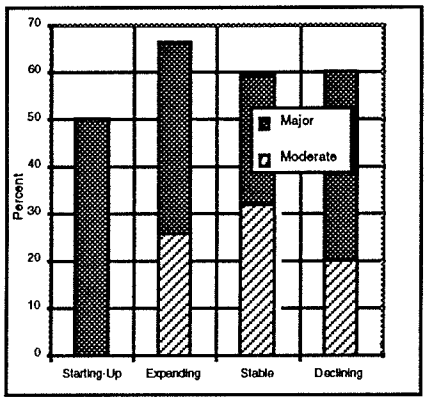
NYS Food Safety Regs



Small-Scale Food Processing Enterprise
Survey Results

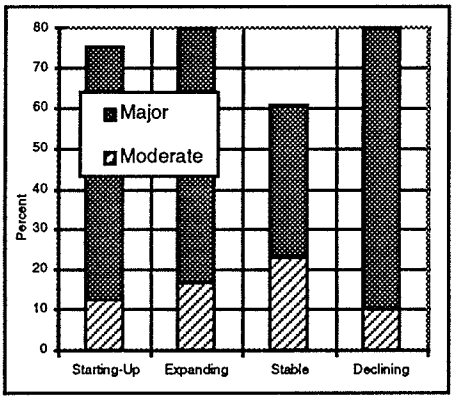
LIMITATION:

Financing For Expansion



LIMITATION:

Cost of Advertising

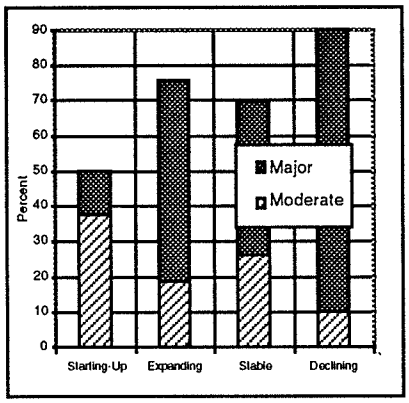


Farming Alternatives Program
Cornell University

Small-Scale Food Processing Enterprise Survey Results

LIMITATION:

Cost of Liability Insurance



•KEYS TO SUCCESS

- Quality products
- Good marketing
- Enough capital

Small-Scale Food Processing Enterprise Survey Results

•STRENGTHS

- #1 Quality Advantage
- #2 Unique Product
- #3 Market Niche
- #4 Increases net profit

•BUSINESS MANAGEMENT

- Business plan
- Insurance
- Capital
- Legal structure
- Labor Issues
- Resources

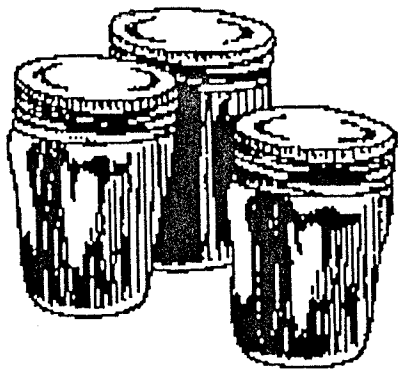
Farming Alternatives Program
Cornell University

NY Sustainable Agriculture Working Group
121 N. Fitzhugh St.
Rochester, NY 14614

This is an extra copy for you to give to a friend.

Making It in the Northeast:

Small-Scale Food Processing on the Rise



Tuesday, January 21, 1997

8:30 AM to 5:00 PM

Four Points Sheraton Syracuse

7 North Street, Electronic Parkway
Exit 37 off the NYS Thruway
(315) 457-1122

Small Scale Food Processing on the Rise
Agenda

8:30	Registration; Food Displays; Breakfast Snacks
9:00	Concerns and Issues Bringing Us Together
	Results of the Small Scale Processing Survey
	A Processor's Journey
	Small Scale Support: NYS Ag and Markets Food Venture Center
9:45	Concurrent Workshops I A. Business Management Issues (law, finance, labor,etc.) B. Technical Questions & Answers (licensing, regulations, etc.) C. Creative Marketing Strategies
11:00	Concurrent Workshops II A., B. or C. as above
12:30	Local Foods Lunch
1:30	Concurrent Workshops III A., B. or C. as above or D. Exploring Collaborations for Small Scale Processors
2:45	Break
3:00	Highlights from Workshops and Policy Recommendations
	Next Steps for Collaboration
4:00	Public Reception & Food Show

24- INGREDIENTS 63

25- CONTAINERS 64

26- INSTRUMENTS 64

27 INSURANCE 64

28- NATIONAL FOOD BROKERS ASSOCIATION 65

29- LABORATORY AND CONSULTING SERVICES 66

30- SOURCES AND DIRECTORIES 67

31- WORLD WIDE WEB 71

32- MEAT FLAVORS FOR VEGETARIAN FARE 72

33- USEFUL DATA AND CONVERSION TABLES 73

34- PRODUCT EQUIVALENTS 75

35- FOOD SAFETY AND HACCP 77

36- SANITARY INSPECTION 81

SUPPLEMENT NO. 1
Creating A Business Plan 1-20

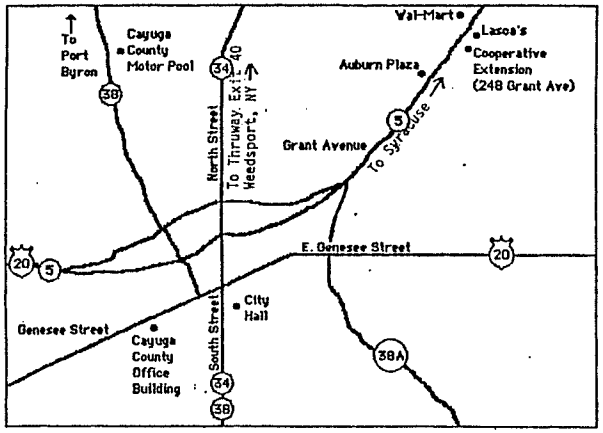
SUPPLEMENT NO. 2 A
A Food Labeling Guide 1-61

For more information contact:

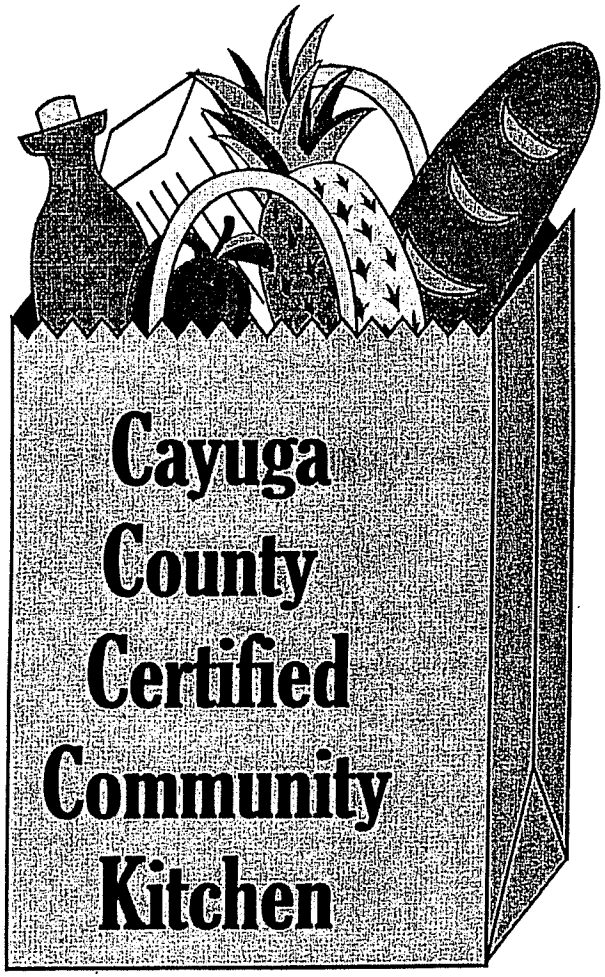
Cornell Cooperative Extension
Cayuga County
Phone:315-255-1183
Fax: 315-255-1187
e-mail: cayuga@cce.cornell.edu

Business Hours
Monday thru Friday
7:30 a.m. – 4:30 p.m.

Map to the Education Center



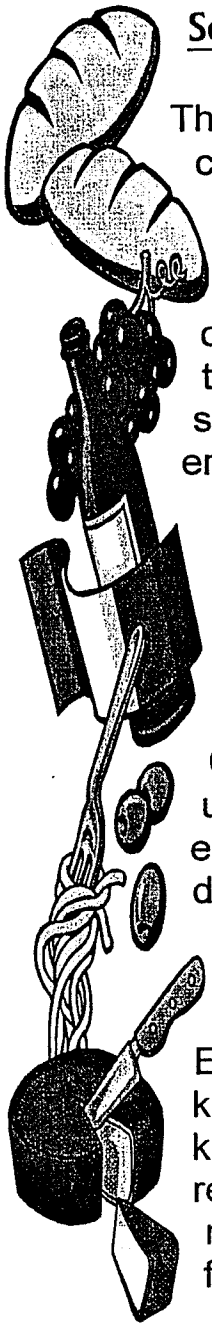
The mission of Cornell Cooperative Extension is to empower people to improve their lives and communities through learning partnerships that put research and experiential knowledge to work.



Cayuga County Certified Community Kitchen

Sponsored by:

Cornell Cooperative Extension of Cayuga County
Education Center
248 Grant Avenue
Auburn, NY 13021
Phone: 315-255-1183
Fax: 315-255-1187
e-mail: cayuga@cce.cornell.edu



Some History

The purpose of the certified community kitchen is to provide micro-enterprise food businesses the opportunity to scale-up their enterprise in a supportive incubation environment.

Cornell Cooperative Extension of Cayuga County has a commercial style kitchen at its Education Center. Originally, it was used for home economics demonstrations and related activities.

Converting the Education Center's kitchen into a community kitchen emerged in response to community requests for such a facility.

The Cayuga County Certified Community Kitchen is for you if:

- you are thinking about a specialty, gourmet or ethnic food item you'd like to produce and market?
- you have outgrown your kitchen?
- your farm operation is looking to supplement your income with value added products?

Our Kitchen:

- is easily accessible
- is available for rent by the hour or the day
- is available on a first-come first served basis

Our Education Center:

- has connections with Cornell University resources, Geneva Food Venture Center and to NYS Dept. of Ag & Markets
- can provide education and training session on food handling, food preparation and food safety

Our Vision Is To:

- encourage and strengthen small business development
- provide food processing opportunities
- support local agriculture
- link urban and rural needs
- create employment opportunities

Make Unique Value Added Products*:

- Bakery Products
- Dairy Products
- Ethnic Foods
- Jams and Jellies
- Maple Products
- Beverages
- Cut Veggies
- Confections
- Pickles and Condiments
- Herbal Products

* Contact NYS Ag & Markets (315-487-0852) to determine if a 20-C license is required.

Farming Alternatives' Publications

Cultivating Farm, Neighbor and Community Relations. This bulletin describes the kinds of farm-related land-use conflicts which may be found in rural New York, the Northeast and other urbanizing areas. It suggests ways of maintaining good relations and outlines alternative approaches for dealing with conflict.

Farmers' Markets and Rural Economic Development: Entrepreneurship, Small Business Incubation and Job Creation in the Rural Northeast. A must for farmers' markets sponsors, extension staff and economic development officials, this bulletin reports on a study of how farmers' markets contribute to local economic development.

Community Agriculture Development: Profiles of 32 Initiatives in New York State. Thirty-two profiles call attention to the nature and range of organizations involved in community agriculture development in New York

Practical, Profitable and Sustainable: Innovative Management Strategies on Four NYS Dairy Farms. In-depth case studies discuss the changes 4 dairy farmers made to make their farms more sustainable using IPM, rotational grazing, manure storage and diversification.

Agritourism in New York: Opportunities and Challenges in Farm-Based Recreation and Hospitality. Four in-depth case studies with discussion of management concerns and NY tourism trends. Includes economic analysis.

PLEASE ORDER ABOVE PUBLICATIONS DIRECTLY FROM
Instructional Materials Service (607) 255-9252 or
Cornell Media Services (607) 255-2080

Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises. Our award-winning step-by-step workbook to help plan and evaluate a new enterprise. Includes chapters on setting goals, assessing markets, production feasibility and financial feasibility.

Order from Northeast Regional Agricultural Engineering Service (607) 255-7654

Student Project Series

Ithaca Farmers' Market: A Case Study in Small Business Incubation

Two Small Mills in New York State: Contributions to Sustainable Agriculture

New Agriculture Series

Horticultural Innovators: Case Studies of Seven Entrepreneurial Growers in New York State

Resource Packets

Adding Value with small-scale food processing and specialty dairy products

Agricultural Economic Development

Agritourism

Developing New Markets to Support Local Agriculture

Engaging the Public in Local Agricultural Issues

Urban Connections and Community Food Security

Who Will Farm? Supporting Farm Families and Farm Workers

Also available.....

Complete Resource Notebook from our 1997 Farming For the Future Conference:
Includes all of the Resource Packet material above and more.

Considerations For Agritourism Development:
Focuses on three main components of agritourism development: small businesses, agricultural events, and regional agritourism initiatives.

PLEASE ORDER ABOVE PUBLICATIONS DIRECTLY FROM
Joan Padula (607) 255-9832;
e-mail jmp 32@cornell.edu

Video— 1 hr 50 min
presents 3 case studies

COOPERATING FOR SUSTAINABILITY: ACHIEVING A SUSTAINABLE AGRICULTURE THROUGH COOPERATION

ORDER FORM

Order From
Cornell University
Media Services Resource Center
7-8 Business and Technology Park
Ithaca, NY 14850
Phone: 607-255-2080; Fax 607-255-9946
E-mail: dist_center@cce.cornell.edu

❑ Guidebook, $25.00

❑ Video of satellite conference only, $29.00

❑ BOTH handbook and video, $45.00

Special shipping [Federal Express] will be an additional charge. Add 8% sales tax for New York State residence.

Method of Payment

❑ Check or money order enclosed
❑ Bill me
❑ P.O. # _____ (if applicable)

Charge my

❑ Mastercard ❑ VISA ❑ Discover Card

Expiration date _____

Card number _____

Signature _____

Organization _____

Attention _____

Street address _____

City _____

State _____ Zip _____

Daytime phone _____

COOPERATING FOR SUSTAINABILITY
IT WORKS

ACHIEVING A SUSTAINABLE AGRICULTURE
THROUGH COOPERATION

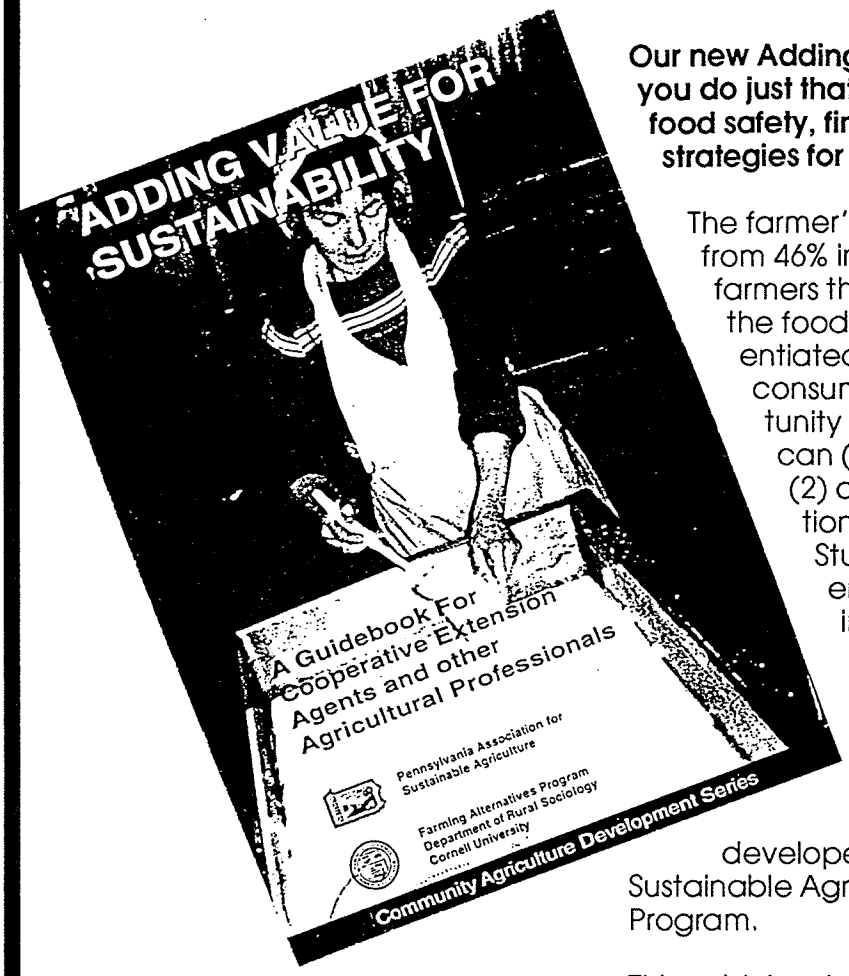
The April 2, 1997 teleconference "Cooperating for Sustainability" reached more than 30 downlink sites across twelve states in the Northeast, plus additional sites in Washington, DC and at locations in the South and Midwest. You can now receive the same information by viewing the conference on videotape.

The teleconference packs interviews, discussions and lively question and answer sessions into a fast pace 120 minutes. Segments shot on location at Coastal Growers member farms and warehouse, at former member farms of the Hudson Valley Growers and on Western New York Crop Management Association member dairy farms bring you up close to the people who built these member owned organizations. Both successes and failures are frankly discussed with an eye towards sharing lessons learned with those considering cooperative strategies for marketing and cutting input costs. Question and answer sessions in the studio following each on-location segment tackle questions directed to representatives from each organization.

The 100 page teleconference guidebook "Cooperating for Sustainability: It Works" presents the ideas, insights and steps for exploring cooperative approaches - including the nuts and bolts needed for successful start-up. The book includes case studies of three cooperatives featured in the teleconference as well as detailed resources and references.

Cooperating for Sustainability features: Joan Petzen, extension educator and advisor to the Western New York Crop Management Association; Ray Bawol, grower who served as a director of the Hudson Valley Growers Cooperative; and Mary Lee Parsons, manager of Coastal Growers Cooperative; Brian Henehan, program leader of the Cornell Cooperative Enterprise Program; and Nancy Fey, teleconference host and moderator with Cornell Media Services.

Would you like to better assist producers, processors, and communities on small-scale processing enterprise development?



Our new Adding Value for Sustainability Guidebook will help you do just that. It is packed with practical information on food safety, financing, marketing, and community support strategies for small-scale processors.

The farmer's share of the food dollar has decreased from 46% in 1913 to 24% in 1997. Value-adding offers farmers the potential to recapture a larger share of the food dollar. By processing their own raw, undifferentiated agricultural products into higher-value consumer-ready products, farmers have the opportunity to retain income. Value-added products can (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. Studies indicate that small-scale processing enterprises create more additional jobs and income in a community than any other industry. Value-adding is therefore a key local economic development strategy.

Pennsylvania Association for Sustainable Agriculture (PASA) and Cornell University's Farming Alternatives Program developed this guidebook, through funding from the Sustainable Agriculture Research and Education (SARE) Program.

This guidebook is designed in a user-friendly format to help cooperative extension agents and other agricultural professionals better assist producers, processors, and communities.

ORDER FORM

GUIDEBOOK PRICE	Add shipping/ handling (per book)
$8.50	$3.00*

* Please call for bulk shipping rates on orders over four books

Please send me _____ books @ _____=_____

Shipping _____

Total enclosed _____

SHIP TO: (please give postal address)

Name _____

Address _____

_____

City, State _____

Zip _____

Phone _____

Please allow two weeks for delivery

Please make checks payable to PASA,
and mail to: PASA Adding Value, P.O. Box 419, Millheim, PA 16854 ph(814)349-9856

PENNSYLVANIA ASSOCIATION FOR SUSTAINABLE AGRICULTURE (PASA)

FARMING ALTERNATIVES PROGRAM AT CORNELL UNIVERSITY

ADDING VALUE FOR SUSTAINABILITY

PROGRAM EVALUATION

Workshop #1: What's Cooking on the Farm? 1-3 p.m.

1. Please circle which group you participated in.

Fruit and Vegetable Group Dairy Group Livestock and Poultry Group

2. Please circle your assessment of the overall content of this workshop.

Poor Fair Good Very Good Excellent

3. Please circle your assessment of the information presented and discussed during this workshop.

Poor Fair Good Very Good Excellent

Workshop #2: Cultivating Community Support for Value-Adders 3:15-5 p.m.

1. Please circle your assessment of the overall content of this workshop.

Poor Fair Good Very Good Excellent

2. Please circle your assessment of the information presented and discussed during this workshop.

Poor Fair Good Very Good Excellent

(Over)

In regards to the overall Adding Value for Sustainability program (both workshops), please answer the following:

1. What new information did you learn?

2. What was most helpful?

3. What was least helpful?

4. What suggestions do you have for the next training? (i.e. topics, locations, speakers, etc.)

5. What additional training/ resources would help build your capacity to assist food processors in your area?

6. IF YOU ARE LOCATED IN PA: Are you interested in helping to form a food processing association in Pennsylvania? Do you think there are interested producers/ processors?

7. What other comments do you have about the program?

PENNSYLVANIA ASSOCIATION FOR SUSTAINABLE AGRICULTURE

ADDING VALUE FOR SUSTAINABILITY

PROGRAM EVALUATION

JULY 9, 1998

1. Please circle your assessment of the overall content of this program.

Poor Fair Good Very Good Excellent

2. Please circle your assessment of the information presented and discussed during this program.

Poor Fair Good Very Good Excellent

3. Please briefly describe your current involvement with assisting producers, processors, and communities with small-scale processing enterprise development.

4. What new information did you learn during this program?

5. Will the Adding Value for Sustainability programs and Guidebook help you better assist producers, processors, and communities with small-scale processing enterprise development? If yes, please briefly describe how this will help you with both current and future plans, programs, or projects.

6. What additional programs and resources would help build your capacity to assist small-scale processing enterprise development?

7. What other comments or suggestions do you have about the program and Guidebook?