

Value-Added Agriculture Opportunities

Stephen Gran
Manager – Agriculture Industry Development
Hillsborough County Economic Development Department

What is Value Added

Commodity or product that has been changed, produced, or segregated such that a greater portion of the revenue derived from the value-added activity accrues to the producer.



What Does Value Added Mean?

Anything that makes
your product worth
more to the buyer!

Why Consider Value-Added?

- Average Net Farm Income is low
- Increasing Farm to Retail Spread
- Farm portion of consumer dollar is small and getting smaller.



Farming as We Know It

Plant a crop



Try to find someone to buy it



Take what you can get for it

**If you always do what
you you've always done,
you'll always get what
you've always got.**

Farming for Profit

Identify customers



Develop a marketing
strategy to reach them



Create a product they want

Value Is in the Eyes of the Buyer

Don't try to sell
what you can
produce, sell
what someone
wants to buy.



Customer Values

Locally-produced

- Freshness of products
- Food safety
- Support for community
- Support for family farms
- Energy Conscious

Customer Experience

- On-farm retail
- Pick-your-own
- Operation tours

Production methods

- Hand-made
- Natural
- Organic
- Grass Fed
- Free Range

Customer service

- Relationship
- Custom processed
- Delivery

Value Added Strategies

- **Capturing Value**
 - Usually means capturing some of the value added by processing and marketing.Examples:
 - Direct Marketing
 - Joining Cooperatives
 - Large Scale Processing
 - Vertical Integration
- **Creating Value**
 - Relies on products or services that are unique or different from the mainstream equivalent.Examples:
 - certified organic products
 - brand image
 - geographic region ID
 - environmental stewardship
 - Unique Products
 - Real or Perceived Qualities
 - Marketing identity-preserved or specialty products.

Looking at the Differences

Capturing value

- Soybean Oil Crushing: added about \$1 per bushel from the meal and oil produced.

Creating value

- Soybean Nut: Producing soy nuts that retailed for \$3.95 per 9-ounce package adds almost \$420 of value per bushel.

Capturing Value Strategy

- Marketing directly to the consumer can be done on a small or large scale and in a variety of ways.
- Options for the producer who enjoys direct contact with consumers include selling at farmers' markets and through community supported agriculture systems.
- Other options include sales directly to restaurants and local institutions, as well as mail order and Internet sales

Created Value Strategy

- Demand for the innovative product or service must usually be created through advertising, promotion, and consumer education
- Contract agreements for identity-preserved products such as “locally grown” or certified organic reduce competition from other producers, for example.
- Producers will need to learn new marketing skills, carefully assess feasibility, and develop marketing plans for created-value products or services without established marketing channels

**You Sell a
Commodity.
You Market a
Product.**

What Is a Marketing Plan?

A Marketing Plan will help to determine:

- If a profitable market exists
- Who will buy your product
- How to reach those likely to buy the product

Target Markets

- Medium to high income
- Quality Conscious
- Educated
- Health Conscious
- Locally Minded

Challenges Value-Added Producers Face

- Strong understanding of marketing:
- Getting a new product into the highly competitive retail market is very difficult.
 - USDA estimates that at least two out of every three new food products introduced into the market fail due to lack of customer appeal.
 - Only one in five new businesses succeeds for more than five years.
- Failure to do market research and the lack of a sound business plan are leading causes for failure

Important Considerations For Value-Added Entrepreneurs

- Market Research
- Business Structure
- Business plan
- Liability
- Regulations
- Technology
- Food Safety
- Packaging Materials
- Labeling Rules
- Trade Names, Patents, and Copyrights



Examples of Value Added Products



Gaby's Farm produces frozen tropical fruit desserts from fruit that they grow on their farm.

Examples of Value Added Products



Thompson Farms, in cooperation with the Florida Pork Improvement Group, markets branded All-Natural Pork direct to the consumer.

Examples of Value Added Products



SunFresh of Florida Marketing Cooperative has exclusive rights to grow and market the SunLite™ potato in the United States.

Examples of Value Added Products



Agrigy produces an economically competitive alternative to native peat for potting soil mixes made from composted cow manure.

Examples of Value Added Products



White Oak Pastures produces and markets branded Natural Grassfed Beef direct to the consumer.

Advantages

- You get more of the customer \$
- Growth potential is virtually unlimited
- Better use of products
- Increase the amount received for raw materials
- Better use of labor
- Longer marketing season
- Better product recognition

Disadvantages

- Time, time, time
- Requires new skills
- Requires more infrastructure
- Generally requires more interactions with regulating agencies
- May imply higher risk (liability for bad products, for example)

Keys to Success

- Choose Something You Love To Do
- Create a High Quality Product
- Start Small and Grow Naturally
- Make Decisions Based On Good Records
- Follow Demand-Driven Production
- Establish a Loyal Customer Base
- Provide More than Just a Product
- Get Everyone Involved
- *Keep Informed*

From *Making It On the Farm: Increasing Sustainability Through Value-added Processing and Marketing*. Southern Sustainable Agriculture Working Group

Business Plan Resources

Building a Sustainable Business

<http://www.sare.org/publications/business/business.pdf>

Starting an Ag-Business? A Pre-Planning Guide

<http://agviability.cornell.edu/pdf/Pre-businessPlanWorkbook.pdf>

Resources

USDA Information:

USDA website for the VAPG Program:

www.rurdev.usda.gov/rbs/coops/vadg.htm

Online eligibility assessment tool:

www.rurdev.usda.gov/rbs/coops/vapgea.htm

USDA Rural Development Florida Office:

www.rurdev.usda.gov/fl/

Alternative Farming Systems Information Center, a SARE
sponsored project of USDA

www.nal.usda.gov/afsic/

Rural Information Center: ric.nal.usda.gov

More Resources

UF-IFAS Cooperative Extension Service: solutionsforyourlife.ifas.ufl.edu

UF/Small Farms Website, Explore topics related to the production, marketing and economics of specific small farm enterprises.
smallfarms.ifas.ufl.edu

Florida Department of Agriculture – Division of Marketing, Develops strategies to facilitate the buying, selling and marketing of Florida agricultural products.
www.florida-agriculture.com/

ATTRA is the National Sustainable Agriculture Information Service, providing marketing and production information through thousands of publications.
www.attra.org

Southern Region SARE provides grants and information to improve profitability, stewardship, and quality of life.
www.southernsare.uga.edu/

The Agricultural Marketing Resource Center is an electronic, national resource for producers interested in value-added agriculture.
www.agMRC.org

The Florida Agricultural Market Research Center is a research, development and education service offering professional assistance to agricultural, marine and agribusiness groups.
www.agmarketing.ifas.ufl.edu/

University of Nebraska (Grant Application Templates): fpc.unl.edu/Business/grant.shtml

Hillsborough County Small Business Information Center:
7402 N. 56th Street, Suite 425
Tampa, FL 33617
Telephone: (813) 914-4028
www.hillsboroughcounty.org/sbic/

Thank You!



Contact Information:

Stephen Gran

Manager – Agriculture Industry Development

Hillsborough County Economic Development Department

601 E. Kennedy Blvd. 13th Floor

Tampa, Florida 33601

Phone: (813) 272-5506

Email: grans@HillsboroughCounty.org