

Does Value-Added Processing Fit Your Operation?

Ginger S. Myers
Regional Marketing Specialist
Maryland Cooperative Extension
301-432-2767 ext.338 gsmyers@umd.edu

Why Consider Processing Value-Added Products?

- Value-added processing is a customer driven process which can offer farmers the potential to capture a larger share of the food dollar. The farmer's share of the consumer's food shopping dollar has decreased from 46 percent in 1913 to just under 20 percent in 2006, according to the USDA Economic Research Service.

What is Value-Added?

Value-added products are defined by USDA as having:

- A change in the physical state or form of the product (such as milling wheat into flour or making strawberries into jam).
- The production of a product in a manner that enhances its value (such as organically produced products).
- The physical segregation of an agricultural commodity or product in a manner that results in the enhancement of the value of that commodity or product (such as an identity preserved marketing system)

Deciding on Value-Added

- **May** increase farm viability
- **May** increase farm visibility
- **May** expand the market season
- **May** open new markets

There is considerably more risks involved in value adding than selling the bulk commodity.

Calls to Make Early in the Process

- The **local zoning office** to determine if processing is a permitted business on your property.
- Your **accountant** to seek assistance in determining its economic feasibility.
- Your **insurance agent** to see what types and the costs of the insurance are needed for the enterprise.
- Have your **well tested** if producing any type of processed food product or inviting people onto the farm.

Learn & Understand Food Processing Regulations

- Inspections
 - State Department of Food Safety
 - Local Health Departments
- Certifications
 - Local Health Departments
 - Better Processing Certification School- Acidified Foods
- FDA Center for Food Safety and Nutrition
 - Code of Federal Regulations
 - www.cfsan.fda.gov

Rules for Success

- #1 The backbone of value-added marketing is high quality products.
- #2 Start Small- Determine how much high quality product can you process and deliver on a consistent basis. Then match your “placement” to that volume.
- #3 Many claims about the sales potential for value-added products may be overly enthusiastic.
- #4 Conduct market research before investing the first dollar. #4 Honest accounting. Be honest with yourself about how much time the business will demand.
- #5 Price and convenience do matter. While many customers will support locally produced, the real work suggests that price and convenience do matter to almost all customers.

Venues for Value-Added Products

- If a wholesaler is used, expect them to earn 10 to 15 percent of the retail price.
- Direct Marketing- on-farm retail outlets, e-commerce websites, mail order catalogs, special grocery stores, gift shops, farmer's markets and craft shows.

Value-Added is All About Niche Markets

The keys to successful niche markets is to find a market that is:

- (1) significantly different from the mass market in the same class of items. This allows for premium pricing.
- (2) is still large enough to provide enough sales to be profitable, but
- (3) is too small to attract mass production and distribution.

Resources

- **Maryland On-Farm Home Processing**

<http://www.cha.state.md.us/ofpchs/fc/foodp.html>

- **Keys to Success in Value-Added Agriculture**

<http://attar.ncat.org/attar-pub/PDF/keystosuccess.pdf>

Excellent article and valuable information for anyone considering a value-added enterprise.

- **Agricultural Marketing Resource Center**

<http://www.agmrc.org/agmrc/default.html>

An electronic, national resource for producers interested in value-added agriculture.