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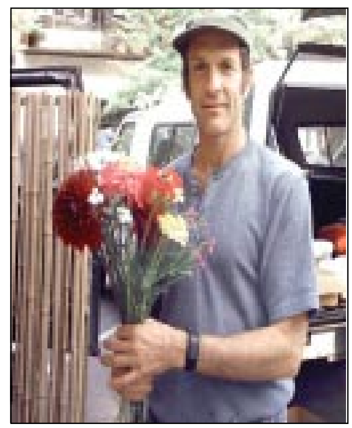
ATTRAnews

Newsletter of the National Sustainable Agriculture Information Service: A project of the National Center for Appropriate Technology (NCAT)

Things to do today:
- ✔ Add value
- ✔ Direct market
- ✔ Boost my profits

By Karen Van Epen
ATTRAnews Editor



Farmer Mark Cain (at right) and his business partner Michael Crane boost profits by adding value to their farm products. Buyers (above) often line up for the bouquets of fresh-cut flowers they sell at the Farmers Market in downtown Fayetteville, Arkansas.

Farming partners Mark Cain and Michael Crane of Fayetteville, Arkansas, are among a growing segment of U.S. producers who are increasing profit margins by adding value to the crops they grow and marketing them directly to consumers.

ATTRA's value-added info packets: See page 3.

In this issue of *ATTRAnews*, we profile this enterprising pair of farmers and take a look at various aspects of value-added production and how it may fit into your farm plan. Farmers must realize that while value-added farm products often pay good dividends, they do not come free.

"It often means doing more work, hiring more helpers, and buying more machinery and supplies," NCAT agriculture specialist Janet Bachman says. Janet is the author of the ATTRA publication *Adding Value to Farm Products: An Overview*.

"In addition, you need more information, especially about rules and regulations," Janet adds. "Farmers need to plan carefully and proceed with caution."

In the case of farmers Cain and Crane, last summer with its abundant rain produced a bumper blueberry crop. The two men, who operate Dripping Springs Garden and market most of their diverse crops at a local farmers' market, wondered what they could do with all those blueberries. With more berries coming on!

"The crop was the largest in 20 years—1900 gallons from two acres," recalls Mark. "We wanted to sell the crop locally at our market stand, rather than wholesaling through an organic cooperative as we'd done in the past when the crop was large. So we contacted local processors about turning part of the crop into preserves."

The House of Webster, a local company that specializes in co-packing, processed 300 gallons of their blueberries into 4,250 12-ounce jars of delicious preserves at a cost of about $4,000.

"We hired a design artist and worked with a label-printing company to produce a Dripping Springs Garden label," Mark says.

The jars of preserves gave Mark and Mike a longer season for their blueberries. They were a hot item at the Fayetteville Farmers' Market, which is open Tuesday, Thursday and Saturday mornings.

Adding value to their farm products is nothing new to Mark and Mike. They grow soft-neck garlic and weave it with wonderful braids of dried flowers, herbs and hot peppers. At each week's market, they make up bouquets of fresh cut flowers grown on their farm.

Contents

MAKING MONEY ON THE FARM SOMETIMES MEANS THINKING OUTSIDE THE STANDARD BOX

By Preston Sullivan
NCAT Agriculture Specialist

If you're searching for an enterprise that is easy, profitable and proven, you will probably find that many other people are already doing it. To improve your chances at building wealth, do two things that livestock producer Allan Nation once suggested to readers of the *Stockman Grass Farmer* magazine:

Number 1: Do something that others cannot or will not do.

Number 2: Produce a product that is different and difficult to produce.

Using these two criteria may keep competition to a minimum. Here are a few more principles of success gathered from various sources.

Number 3: Produce products that sell at your price, rather than commodities that someone else sets the price for.

Number 4: Buy wholesale and sell retail (just the opposite of cash cropping).

Number 5: Coordinate enterprises that complement one another to reduce overhead costs.

Number 6: Pool resources with partners through collaborative ventures.

Two ATTRA clients cultivate shiitake mushrooms on logs that are inoculated with spawn. The mushrooms are sold locally to restaurants and consumers.

Starting a new enterprise boils down to asking a series of good questions. Among these questions are: Do I have the resources to do this? Do I really want to do this? Do I have the experience and information to do this? How much profit can I make? How will I market the products?

Most available enterprise planning guides ask entrepreneurs to first assess their personal and family objectives. The guides stress the importance of having some sort of business, financial and marketing plan before proceeding.

Of course, determining the profit potential for the enterprise is essential before spending more time or money developing the means of production.

Details of planning a new rural enterprise are available from ATTRA in our publication *Evaluating a Rural Enterprise*.

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Some principles of success in value-added enterprises

- Choose alternative enterprises
- Sell directly to end users to reduce the number of intermediaries and to keep more dollars in your own pocket
- Select enterprises that complement one another
- Differentiate your product in some special way: this adds value
- Find market niches
- Cultivate good relationships with buyers
- Be consistent in quality and delivery
- Consider cooperative marketing or processing
- Analyze your operation for ways to reduce costs

Once you have embraced these principles, opportunities to employ your current resources in different ways become more apparent. From there, the path toward a transition will begin to take shape. Even though change is never easy, it can be done. Take a fresh look at your people, land and other resources for market potential. If possible, visit other families who have made significant changes for the better in their operations.

— From ATTRA's publication *Moving Beyond Conventional Cash Cropping*

OTA Show is May 2-4

The "All Things Organic Conference and Trade Show" will be held May 2-4, 2004, at McCormick Place in Chicago, IL. This year's show will feature 250+ exhibitors, attendees from 44 states and 25 countries, and an extensive education program.

For more information, please contact:

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Adding value has its risks

.... So hope for the best but plan for the worst

By Holly Born
NCAT Agriculture Specialist

While adding value to farm products through special production methods, processing or marketing offers the potential of higher returns to the farmer, there is also risk and potential loss of money and time. When considering any type of value-added activity, the wise farmer hopes for the best, but plans for the worst.

Farmers and ranchers producing commodities are used to adding value by cutting costs and increasing production. Today, however, value is added through differentiation. An important thing to understand is that *value added* is not necessarily *value captured* by the farmer, unless he or she knows how to negotiate with buyers.

Consider a coop

Farmer value-added cooperative ventures have been in the news recently. Very often, a farmer's best bet for adding value is to focus on production and leave processing to those who understand that end of the business. Many farmer cooperatives formed in recent years have failed, due to the high debt load incurred at the beginning to build or buy processing facilities. Processing, like commodity production, is generally a business model based on low prices and high volumes—a model that has disadvantages for farmers.

If processing has to be done by the farmer, it's often better to use a smaller custom processor. However, with the increasing consolidation of agriculture, there are fewer and fewer independent processors out there, so investing in processing may be necessary. Before investing money in a value-added venture, however, you'll need to consider whether it is a good investment from both a business standpoint—dollars and cents—and from an operational standpoint. Does the organizational structure make sense? Is there management experience, leadership and expertise available?

Writing a biz plan

If you're going it alone, a good first step is to sit down and write out a business plan. Writing out the plan is helpful since it allows you to be more objective and make decisions based on facts and not feelings. It doesn't have to fit a "business plan" template at this stage, but it should include a description of exactly what you want to do or produce, short-term and long-term goals, what you will need, how much it will cost, who will buy it and how much they will buy, financial projections for three years (since it is unlikely to be profitable for at least three years), what could go wrong along the way and how would you deal with these

(See Adding Value on page 4)

KEYS TO SUCCESS

IN THE SHORT RUN:
- Start small and develop gradually.
- Make decisions based on good records.
- Create a high-quality product.
- Follow demand-driven production.
- Get the whole family or partners involved.
- Keep informed.
- Plan for the future.
- Evaluate continuously.
- Have adequate capitalization.
- Persevere.

IN THE LONG RUN:
- Focus.
- Establish a loyal customer base.
- Choose something you love to do—*and* something that fits your personality and goals.

Order ATTRA publications on value-added agriculture

Selling Value-Added Products
- *Keys to Success in Value-Added Agriculture*
- *Evaluating a Rural Enterprise*
- *Overview: Adding Value to Farm Products*
- *Direct Marketing*
- *Marketing Organic Grains*
- *Green Markets for Farm Products*
- *Ecolabeling: Marketing Sustainable Agriculture*
- *Entertainment Farming and Agri-Tourism*
- *Making the Transition to Sustainable Farming*
- *CSA (Community Supported Agriculture)*
- *Farmers' Markets*

Livestock
- *Value-added Dairy Options*
- *Sustainable Hog Production Overview*
- *Considerations in Organic Hog Production.*
- *Evaluating an Aquaculture Enterprise*
- *Sustainable Poultry Production Overview*
- *Sustainable Pecan Production*
- *Bison Production*
- *Alternative Beef Marketing*
- *Alternative Marketing of Pork*
- *Alternative Meat Marketing*

Value-Added Products
- *Moving Beyond Conventional Cash Cropping*
- *Alternative Agronomic Crops*
- *Grain Processing*
- *Options for Food Dehydration*
- *Small-Scale Oilseed Processing*
- *Soyfoods*
- *Sorghum Syrup*
- *Edible Flowers*
- *Sprouts and Wheatgrass Production*
- *Sustainable Cut Flower Production*
- *Sustainable Small-Scale Nursery Production*
- *Wheatgrass Production*

Dial 1-800-346-9140
1-800-411-3222 (Spanish)
Monday through Friday
7 a.m. to 7 p.m. Central
or visit our Web site at
www.attra.ncat.org

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ATTRA 1-800-411-3222 (Spanish only)

President's '05 budget cuts sustainable agriculture programs

The President's FY2005 budget released on February 2 substantially reduced funding for sustainable agriculture programs (see table below). NCAT's ATTRA project would receive no funding in the fiscal year which begins October 1, unless Congress restores funding levels during the agricultural budget process currently underway.

The National Campaign for Sustainable Agriculture and the Sustainable Agriculture Coalition announced on March 1 that restoring funding to these key programs would be among their top priorities. For further details and information about these important sustainable agriculture programs, please call 608-238-1440 or email Margaret Krome at: mkrome@inxpress.net .

Program	Congressional FY03 Budget	Congressional FY04 Budget	President Bush's FY05 Budget
Sustainable Agriculture Research & Education (SARE) Program	$13.66 million	$12.3 million	$9.2 million
SARE Professional Development Program	$4.8 million	$4.4 million	$3.8 million
Organic Transition Research, Education & Extension Program	$2.1 million	$1.9 million	$0.5 million
ATTRA	$2.5 million	$2.5 million	$0
Rural Cooperative Development Grants	$6.5 million	$6.5 million	$5.0 million
Value-Added Producer Grants Program	$40.0 million (no limitations)	$15.0 million	$15.5 million

Adding Value

Continued from Page 3

contingencies, and what are the applicable regulations and laws. If you don't know these things, you aren't ready. You need to do research. Market research in particular is crucial, and can be as basic as just asking people what they think about your product or service, and what they think about competing products or services.

Not having enough capital is one of the biggest reasons for value-added start-up failure. Be aware that everything is going to take longer and cost more than you expect—experts advise overestimating your time and capital needs by at least 25%—including how long it takes to turn a profit.

New & Updated ATTRA Publications

- Fresas Organicas y Opciones Para El Manejo Integrado De Plagas (Strawberries -- Organic & IPM Options)

ATTRA*news*

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