

November 2007



## Profitable Agriculture Alternatives Newsletter

Annette Dunlap, Editor

### UPCOMING CONFERENCES

#### Producer Biofuels Meeting

**When:** Tues, Dec 4, 2007

**Where:** Piedmont Research Station,  
8350 Sherrills Ford Rd.  
Salisbury, NC 28147

#### Contact:

Jim Cowden 704-216-8970  
Tim Hambrick 336-703-2850  
Joanna Radford 336-401-8025

#### 8:30 a.m.

Registration and Refreshments

#### 9:00 a.m.

Welcome and Remarks –  
Joe Hampton, Superintendent of  
Piedmont Research Station  
Jim Cowden, County Ext. Dir.  
- Cooperative Extension

#### 9:15 - 10:00 a.m.

Energy From Agriculture  
Nicholas George, NC Solar Center,  
NCSU

#### 10:00 - 10:45 a.m.

Biodiesel Production  
- Using Canola, Sam Brake  
- Using Soybeans, Darryl Corriher

#### 11:00 - 11:45 a.m.

Biodiesel Demo - Kelly Snider, Piedmont Research Station

#### 11:45 - 12:00 p.m.

Wrap-up and Questions

The auditorium will only hold 60 participants, so pre-registration will be a must.

The biodiesel demo will be in the Crops Unit Shop which is heated. Kelly plans to use chicken fat and used cooking oil to demonstrate.

Carolina Farm Credit will sponsor refreshment breaks.

### Essentials Ingredients of a Specialty Food Business

By Gary Bullen, Extension Associate, Ag & Resource Economics, NCSU

“This is the best peach preserves or applesauce I have had... you should start a business.” Family recipes and friends’ comments encourage people to start a specialty food business, but before time and energy are spent, there are several essential ingredients to consider.

#### THE PRODUCT

In order for a specialty food product to be successful, the product should be innovative, stand out in the market place, be attractive and have appealing packaging. Most buyers of specialty foods look for something unique – a local product not available anywhere else, or a flavor combination that is totally different. For example, the winner of one specialty food competition was a roast garlic and onion jam.

#### IS THERE A MARKET?

The challenge in the specialty food business is finding a big enough market to grow the business. Sometimes it is difficult to estimate market potential. The target market, usually defined by demographic characteristics, such as age, income, gender and lifestyle, may numerically support a decision to enter a business. But the truth is never discovered until production actually begins. This is why, even if the market research supports a “go” decision, business owners need to understand that they are taking on significant risk when investing money into a food business.

#### PRICING

Product pricing is one of the most difficult aspects of starting a new food business. The challenge is to avoid pricing the products out of the market without leaving money on the table. Prices should be high enough to cover all costs, with a net profit remaining to pay a salary and/or invest in business expansion. This means that the entrepreneur needs to know all of the costs and be committed to sound cost controls. Prices must also line up with consumer perception of value, and with competitor pricing.

#### DISTRIBUTION

Distribution options depend on the product, season, region, market segment and sales volume. Many food business start out selling direct to the customer at art and craft and holiday fairs, or mail order. Products can be sold through retail stores, including health food stores, gift stores or specialty stores. Brokers and distributors are other options. Brokers charge a commission based on a percent of the product sold, and they usually do not receive any money unless they are able to sell the product. A broker should be considered a business partner, so spend some time investigating a potential broker before signing any contract. Visit some of the brokers of existing clients and ask for their recommendations. A distributor on the other hand, buys products and sells to the retailer. Usually a business needs to have grown to a significant size,

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## Coping with the Drought

since distributors usually work with larger sales volumes.

Co-packers offer the opportunity to manufacture and package products without requiring the producer to invest in expensive commercial kitchen equipment. A co-packer can help formulate a family recipe of four to manufacturing proportions. Co-packers are familiar with the food safety requirements and shipping needs. Some co-packers will help with the labeling and packaging. The biggest concern for most food entrepreneurs is the loss of control of their product. Entrepreneurs must share secret recipes and customer information with the co-packer. More complete information on co-packers can be found at <http://www.ces.ncsu.edu/depts/foodsci/ext/pubs/copackers.html>.

### FOOD SAFETY AND REGULATIONS

Food regulations are often confusing and always complicated. There can be conflicting governmental agencies that regulate the development of your food business. Regulations are determined by the type of product. Before you can address who will regulate your food you should have your product tested to determine if the product is low-acid, acidified or acid food type. You can get your food product tested by North Carolina Food Science Department. The North Carolina Food Science Department can test your food product, or contact the North Carolina Department of Agriculture and Consumer Services for more information on the appropriate division or agency to contact.

Contact Gary Bullen at: [gary\\_bullen@ncsu.edu](mailto:gary_bullen@ncsu.edu); Phone: 919.515.6096

With the extreme drought conditions now covering most of North Carolina, growers' concerns are shifting to post-harvest and fall and winter planting decisions. Soil conditions, a lack of sufficient water and other related concerns indicate that the upcoming 2008 growing season will contain various challenges that growers have not had to address in more recent years. Forecasters see no change in the persistent dry weather, and they continue to predict that this coming winter will be abnormally dry.

NCDA&CS has actively worked to address one of the most immediate needs facing the state's producers: the availability of hay and suitable forage for ruminants. Information on forage supplies and drought assistance for hay can be found at the Department's web site, [www.ncagr.com](http://www.ncagr.com).

Lack of available water appears to be the number one challenge facing growers. In the absence of this critical resource, some growers have already chosen not to plant fall crops of cabbage and other cole crops. Crop varieties, acreage amounts and realistic yield expectations will be important considerations in the upcoming months.

Cooperative Extension is maintaining an ongoing list of resources to assist producers with the many questions that are created by the drought conditions. The URL is <http://www.ces.ncsu.edu/disaster/drought/>

Additional drought resources can be found at <http://attra.ncat.org/>

[downloads/water\\_quality/resource\\_guide.pdf](http://www.sare.org/publications/water.htm)  
<http://www.sare.org/publications/water.htm>

Economic considerations should also be addressed when making decisions related to the drought. There are tax implications to the sale of certain assets, such as livestock. Information specific to the tax implications of livestock sales is available at [http://www.ag-econ.ncsu.edu/faculty/vanderhoeven/Weather\\_related\\_Sales\\_Livestock\\_2007.08.24.pdf](http://www.ag-econ.ncsu.edu/faculty/vanderhoeven/Weather_related_Sales_Livestock_2007.08.24.pdf)

Information on the economic considerations related to the sale of livestock can be found at [http://www.ces.ncsu.edu/disaster/drought/DroughtEconomics08\\_07v2.pdf](http://www.ces.ncsu.edu/disaster/drought/DroughtEconomics08_07v2.pdf)

For those in the landscape business, information on drought-tolerant plants can be viewed at [http://www.bae.ncsu.edu/programs/extension/publicat/wqwm/ag508\\_3/](http://www.bae.ncsu.edu/programs/extension/publicat/wqwm/ag508_3/)

Producers who have not previously viewed crop disaster insurance as an option may wish to revisit that decision. Information on tax planning for crop and crop revenue insurance is available at <http://finpack.org/Publications/pubs/FarmMgtTopics/TaxPlanCropRevIns2007.pdf>

Growers may wish to determine whether or not they qualify for drought assistance under several different federal programs, including the Agricultural Assistance Act of 2007 <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=diap&topic=landing>.

### RESOURCES

#### *Food Safety and Regulations*

North Carolina State University Food Science Department  
<http://www.ces.ncsu.edu/depts/foodsci/ext/programs/ncfood/>

North Carolina Specialty Food Association  
<http://www.ncagr.com/markets/specfoods/>