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Value-Added Agriculture, Direct Marketing and Agritourism: Cultivating a Fruitful Enterprise

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Value-added, direct marketing and agritourism enterprises are opportunities for some fruit growers to generate revenue by removing middlemen from the supply chain, taking advantage of demand for fresh and local products, marketing small quantities of products or offering experiences on the farm. In many cases, industry data indicate growth in the number of farms participating in these enterprises. Not all farms that try value-added products, direct marketing or agritourism are successful, however. Farmers considering these operations may benefit from understanding the challenges these enterprises may face, factors observed in successful enterprises and where to begin.

Farmers interested in industry data related to the number of farms, and in some cases, the value of sales and average sales per farm participating in various value-added, direct marketing and agritourism activities, can find it in the USDA Census of Agriculture. Data are available for the United States, by state and by county online at <http://agcensus.usda.gov/Publications/2012/>. The most recent data is available for 2012, and farmers can compare recent data to previous censuses. Data is available for farms directly marketing products for human consumption to consumers, marketing products to retail outlets, offering CSAs, marketing value-added products and offering agritourism and recreational services.

Just because operations exist, do not mean they are easy or profitable. Value-added, direct marketing and agritourism operations add another dimension to an already challenging production operation. Farmers producing fruit crops are already juggling input selection and purchase, soil fertility, planting, disease control, pest control, weed control, irrigation, harvesting, field sanitation, labor, records, certifications, marketing and more. When direct marketing, adding value or offering agritourism activities, a farmer has all of these production issues plus another entire set of activities needing skills, time and attention. That may include processing and packaging operations, storing and transporting ingredients and products, keeping customers safe on the farm, marketing in a new way, managing new or more labor, serving more individual customers, adopting new regulations and a variety of other activities.

Reasons that businesses fail can typically be classified in one of three main categories: money, management and marketing.¹ By understanding these reasons businesses fail, farmers can try to avoid them and increase their potential for success.

¹ Clark, Scott. *Reasons for business failure come in three broad groups*. Puget Sound Business Journal. July 21, 1997.

1. Money – It takes money to make money. Capital is needed on the front end to make initial investments in the enterprise and operate the enterprise until a significant customer base is built to generate revenues. Businesses often struggle when started without adequate capital to get them up and running and when they or do not have cash flowing in from sales at the right time to pay for outgoing expenses.
2. Management – Businesses require management skills and experience to successfully juggle all the aspects of the operation efficiently and effectively. Entrepreneurs who do not have the knowledge or experience to handle all the aspects of the business or who not develop a team of people who do are more likely to fail.
3. Marketing – Identifying a specific target audience or audiences for products and developing marketing strategies to access those potential customers is another key to business success. Often, entrepreneurs think the product will sell itself and do not conduct marketing activities or haphazardly do some marketing without regard for who has a need or desire for the product, is willing to buy it and is able to buy it.

While these are the most commonly accepted reasons businesses fail, there is another M word to consider. Businesses that fail, including value-added, direct marketing and agritourism operations, are often missing that little bit of magic to make it all come together. A business without a champion or a leader with passion, perseverance, energy, drive and a “can do” attitude is not likely to succeed.

Successful value-added, direct marketing and agritourism entrepreneurs:

- Start in a strong financial position and have capital to invest in the start-up and operation of the business.
- Have a long term commitment to the operation. They understand that success does not typically happen overnight. They start slow and grow smart.
- Possess management skills to efficiently and effectively manage time, labor, cost and all the aspects of the enterprise.
- Are able to produce a quality product consistently.
- Are able to seek out, understand and adopt appropriate regulations.
- Learn, possess or obtain (through team members) marketing savvy. They can identify target audiences and connect with them.
- Have people and customer service skills to win loyal employees and lifelong customers.

Farmers interested in developing a value-added, direct marketing or agritourism operation should begin by assessing their resources. Do you have the skills, experience and magic needed to be a successful entrepreneur? Do you have capital available to launch a business? What strengths and weaknesses do you or your farm location have for this type of enterprise?

If you think you have what it takes, the next step is to learn all you can and begin to generate ideas for your enterprise. What are needs and wants in the market that you can fulfill? What knowledge and skills do you need to develop? Read about and visit operations to learn what may be possible, how to overcome challenges and what you can do to increase your potential for success.

Once you have an idea for the product(s) or service(s) you would like to consider offering, it is time to put a plan together. A written business plan will help you see and communicate the whole picture for your operation. It will help you determine if you really want to go into business and what to expect if

you do. It will help you discover issues and challenges you would not have thought of otherwise and help you prevent some potential mistakes.

Several resources exist that may help farmers develop business plans for direct marketing, value-added or agritourism operations. AgPlan is an online business planning website providing templates, tips, sample plans and other resources. This free tool may be accessed online at

<https://www.agplan.umn.edu/>. The Small Business Administration also has a free online business planning tool at

http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/SERV_ESSENTIAL.html.

Farmers may also visit the Center for Profitable website for publications related to a variety of direct marketing, value-added agriculture and agritourism topics. These resources are available online at

<https://ag.tennesss.edu/cpa>.