



Introduction to Value-Added Dairy Processing

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Taking A Closer Look at Value-Added Dairy
Opportunities Workshop – December 19, 2019

What We Will Cover Today

- Research on consumer interest in local value-added dairy products.
- How to calculate how much money your dairy production enterprise is making.
- Equipment and facility needed for dairy processing and what it costs.
- Business philosophy, lessons learned and mistakes made by Sweetwater Valley Dairy.

What We Will Cover Today

- Dairy processing considerations-what you should know before you start processing.
- Sanitation and food safety.
- Permitting of equipment and facilities.
- Marketing dairy products.
- Subawards opportunity.

What is value-added?

- Allow producers to earn a greater portion of consumer expenditures by processing, packaging or marketing crops, livestock or farm resources.



What is direct marketing?



- Any marketing method whereby farmers sell their products directly to consumers
- Examples of direct marketing channels include
 - Roadside Stands
 - On-farm Stands
 - U-Pick/Pick-Your-Own Operations
 - Community Supported Agriculture (CSA)
 - Farmers Markets

Why?

- Opportunities to increase financial returns
 - Remove middlemen from supply chain
 - Take advantage of demand for fresh/local products and experiences
 - Market small quantities



Direct Marketing is Growing

Census of Agriculture Data for Tennessee Farms



	2012	2017
Number of TN farms with Direct Sales to Consumers	3,679	3,773*
Value of Food Products Sold Directly to Consumers	\$19,182,000	\$34,844,000*
Average Sales Per Farm of Farm Products Sold Directly to Consumers	\$5,214	\$9,235*
*Data from 2017 are not directly comparable to previous years. Sales of v-a products for human consumption were included in 2017 while excluded in previous years.		

Direct Marketing is Growing

Census of Agriculture Data for Tennessee Farms



	2012	2017
Number of TN Farms with Agritourism and Recreational Service Sales	616	644 (4.5%)
The Value of Agritourism and Recreational Service Sales	\$11,915,000	\$14,519,000 (21.9%)
Average Sales Per Farm of Agritourism and Recreational Service Sales	\$19,342	\$22,545 (16.6%)

Value-added, direct marketing
and agritourism are in...

but they are not



If we build (grow, produce, offer) it, will they come (and buy)? And will we be profitable?



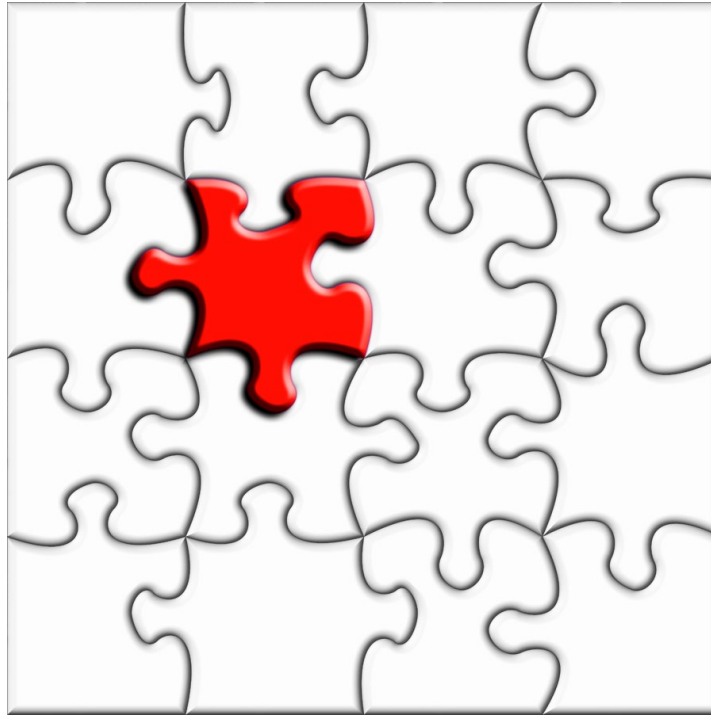
It depends!

Successful Products



Unsuccessful Products





**Product is only one
piece of the puzzle.**

- 80% of Americans have no goals
- 16% have goals in mind but don't write down
- 4% write them down and make 9x more money



Dr. David Kohl
Business Planning Lite



- Farm businesses that developed a business plan were 2x more profitable!
- Producers who communicate were 21% more profitable!

Dr. David Kohl
Business Planning Lite

CPA Staff Resources

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