

Considering a value-added food venture? There's a three-step approach

Starting a value-added food enterprise is like building a house: you need to lay the foundation before construction can begin.

Generally, there are three steps to identifying a new or alternative enterprise: determining personal and family goals; determining if those goals are feasible; and choosing an enterprise.

In my work with entrepreneurs, sometimes I'll see people go straight to choosing an enterprise. Unfortunately, the first two steps are the foundation-building process of trying to get a new venture off the ground.

What is value added?

Value added usually refers to products that experience some type of post-harvest processing. Common value-added foods include:

- Jams, jellies, and preserves,
- Salsas and sauces,
- Pickled vegetables, and
- Herbed oils and vinegars.

While unprocessed produce can usually be sold with very little planning, processed produce has a greater risk of foodborne illness. So the regulations, safety concerns, and processing requirements change, meaning the size of your aspirations will guide your planning and effort.

Starting at the beginning

Which connects back to Step 1: determine goals. Consider the case of a father and son who had been farming together for about eight

years. One day something prompted a discussion about the farm. One thing led to another, and it turned out the father was farming because he thought the son wanted to continue the farm to the next generation; however, the son was farming only because he thought Dad wanted to pass on the farm. In actuality, neither of them wanted to farm! They were both farming because they had assumed it was what the other wanted.

Or consider what we occasionally see at farmers markets – vendors who are a bit of a grouch. In my experience, farmers like to grow things. Which is often a

solitary job. So when someone who prefers tractors and lettuce goes to town and has to answer questions from customers and generally be gregarious (as good marketers often are), it tends to show.

So as you set your goals, consider what will actually be rewarding. Most importantly, ask yourself if it's something you actually want to work toward, or if it's something you're doing because it sounds easy or is something other people expect you to do. Goals often have a dollar value that can be identified – a living wage perhaps.

Whatever the goal, remember time is limited. The more selective and purposeful we can be about our goals, the more likely we'll contribute to our success and happiness.

Will it work?

How are we to know if a goal is feasible? The purpose of Step 2 is to answer that question as best we can.

If we've been clear about the goals from Step 1, then we may have specific endpoints such as dollars generated, amounts of time available, products created, and so on. (Note: it's helpful if the goals from Step 1 have target dates by which they'll be accomplished – a dream is transformed into a plan this way).

Determining profit potential for some food venture options narrows the choices. For one possible venture, take projected revenue (the level of sales you think you'll generate), subtract the cost of





goods sold and all your related direct production expenditures (the cost of fruit, sugar, jars, and labels, for instance, for jams and jellies), which will be a calculation of gross profit margin. From the gross profit margin, take out the indirect (fixed) costs (things that don't vary based on production, such as insurance and internet access – as well as your time spent managing) for your net profit. If that number isn't near your goal, then continue looking at options.

Exploring food ventures

Step 3 is choosing an enterprise. Most states have laws that allow home-produced foods to be sold in some form. Processing food in a home kitchen is less expensive than renting or building commercial kitchen space, but Cottage Food laws may limit where those products may be sold.

In Wyoming, home-processed food can only be sold to end consumers. So sales to restaurants or grocery stores or at the wholesale level (to a food distributor for instance) wouldn't be possible, nor sales to people or businesses in other states.

So if selling at a farmers market or in an on-farm shop sounds appealing, then home processing is an easy introduction to the business. Starting at a smaller scale gives cooks a chance to build processing and cooking skills, and all the other skills needed to build a business,

like advertising, creating recipes, conducting market research, building a brand, and managing the money side. And if you find that the work doesn't suit you, or it's not as rewarding as expected, then the amount lost is more manageable.

Consider the entrepreneur who wanted to start a bed and breakfast as a part-time job (to make money as well as spend time with family). But by the time he'd get done setting up a full house, getting a kitchen equipped, finding suppliers, and working through the time commitments for advertising and maintaining the B&B, it was almost a full-time job! He had to go back to the drawing board for feasible ideas (but at least the foundation for goals was now firm).



Starting a new venture often turns out to be more work (and is less profitable) than expected. Here are tips from those who have tried it:

- Do five times the research you think you should and have at least 25 percent more capital than you think you'll need.

Final Comment

Whether you have an acreage you'd like to use more effectively, are looking for extra income, or seeking a different way to spend time, begin by being clear about what you are willing to put into it and what you'd like to get out of it. Setting objectives is one of the biggest aspects of planning. There are too many variables – too many activities to manage – to spend time doing things that don't get us what we want.

Read more in *Food Ventures in Wyoming: A Resource and Regulatory Guide*, and *A Guide to Specialty Crop Value Added Food Processing in Wyoming*. Both are available from the author.

.....
University of Wyoming Extension agriculture entrepreneurship specialist **Cole Ehmke** has been providing a helping hand to Wyoming residents for more than 15 years. He can be reached at (307) 766-3782 or at cehmke@uwyo.edu.

- Make connections. The world truly does work on a "who-you-know" basis.
- Build a strong team. Know what you're good at and not good at to fill the gaps in the team. Have an excellent financial person beside you.