A Guide to Specialty Crop Value-Added Food Processing in Wyoming

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Project
University of Wyoming Extension is a partnership of national, state, and county governments in which the land-grant university offers its resources to address public needs. Its aim is to strengthen the social, economic, and environmental well-being of families, communities, and agriculture enterprises. Extension educators and specialists work on, among other subjects, food safety and quality, the development of young children, sustainable agriculture, leadership development, personal resource management, governance skills, and economic development (to learn more, see www.uwyo.edu/uwe).

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ACRONYMS USED

AGR	Adjusted Gross Revenue
BOGO	buy one, get one free
BRC	British Retail Consortium
COD	cash on delivery
CSA	Community Supported Agriculture
EQIP	Environmental Quality Incentives Program
FDA	U.S. Food and Drug Administration
FLSA	Fair Labor Standards Act
FOB	freight on board
FSA	Farm Service Agency
FSMA	Food Safety Modernization Act
GAP	Good Agricultural Practices
GFSI	Global Food Safety Initiative
GHP	Good Handling Practices
GMO	genetically modified organism
GMP	Good Manufacturing Processes
HACCP	Hazard Analysis and Critical Control Points
NASS	National Agricultural Statistics Service
NRCS	Natural Resources Conservation Service
POP	point of purchase
RMA	Risk Management Agency
SARE	Sustainable Agriculture Research and Education
SBIR	Small Business Innovation Research
SQF	Safe Quality Food
TPR	temporary price reduction
UPC	Universal Product Code
USDA	U.S. Department of Agriculture
WBC	Wyoming Business Council
WFFA	Wyoming Food Freedom Act

FOREWORD

There are a lot of moving parts to growing a value-added business (production, packaging, marketing, operations, financials, business development, online sales, etc.). It's the aim of this bulletin to provide you with the tools and resources to sort through it.

Bottom-line: We want to help you launch and grow your food business.

INTRODUCTION

It is unlikely that many people in the value-added agriculture industry would suggest that profit is the sole reason for their being in business. In many cases, it may not even be the most important reason. But equally, many people would include profit high in their list of reasons for being entrepreneurs in agriculture.

Profits are significant in a number of ways. First, they *measure* the overall success with which a business is being managed. They permit judgements to be made about the degree of success, or the lack of it, so they help to focus thinking and influence morale. Secondly, profits *provide a reward* to those who invest capital into and manage a business—so they provide an incentive to continue. And thirdly, profits provide part, at least, of the funds from which *future expansion and development are made possible*.

In a word, profits permit *survival*, and, in the belief that survival is ultimately what successful management is about, we have chosen profit as the note on which to introduce this publication.

Those familiar with small businesses know that profits can be quite variable from year to year and among different firms. Even with a reasonably homogeneous group of businesses in the same industry (and, of course, no two are alike) there is usually a wide gap between those with the best and those with the worst financial results.

This "performance gap" between the best and the worst might be boiled down to three issues: business resources, human resources, and strategy.

Clearly, the buildings and infrastructure and the machinery and equipment involved, their inherent quality and flexibility and, if raising the raw product, the amount of land and the advantages of its climatic conditions, will have a big influence on the profit potential of any food marketing venture. And, of course, the business's location—primarily its distance from the market and the availability of supporting services. In the long-term, each of the individual aspects of the resources can be altered or modified: more buildings and equipment can be added, for instance. Location can be more difficult to overcome, but it will be comparable to the situation of all its nearby competitors.

In the short-term, however, resources such as buildings and infrastructure are relatively fixed, so it is left to the human element—management—to do the best they can with the resources available (both physical and human). Because of widely differing family and experience backgrounds, self-employed businessmen and women embark on their individual value-adding enterprises from a wide range of financial circumstances, and balance sheets have a habit of changing only slowly. Whatever a person's basic education was and the specialized training that may have followed, learning by experience plays a dominant part in any manager's life.

And this leads to strategy. The economic structure of an industry is not an accident. Its complexities are the result of long-term social trends and economic forces. But its effects on you as a business manager are immediate because it determines the competitive rules and

strategies you are likely to use. The tactics you choose to respond with will be large factors when successfully facing competitive situations.

WHO IS THIS BULLETIN FOR?

This bulletin is for people thinking of adding value to products raised on farms, ranches, and small acreages, particularly if they are specialty crops. What are 'specialty crops'? Briefly, this is a technical term created to draw lines within the regulatory structure of the U.S. Farm Bill—the legislation debated every five years or so to set farm and rural policy—from *commodity crops* that have typically been the focus of farm programs that support prices: wheat, corn, and soybeans are examples. Pretty much leafy green crop or fruit or vegetable is a specialty crop. A list of specific crops, as defined in law, is at the end of this publication.

Many entrepreneurs may come from a production ag background and want to move along the value chain from simple bulk commodity production to creating (and capturing) value as they move closer to the end consumer. Perhaps they are farmers or market gardeners producing raw grains, fruits, and vegetables who are considering processing them into a more developed product of interest to a wider range of customers then they would normally sell to.

The following sections are intended to develop the issues that are common stumbling blocks in beginning a new venture. In essence, they will help round out a business plan.

SECTION 1. ADDING VALUE

"The way to get started is to quit talking and begin doing." —Walt Disney, famous American film producer, animator, and voice actor who was also a recognized entrepreneur.

WHAT IS ADDING VALUE?

In agriculture, farmers understand that commodity prices over time reflect the cost of production with little margin. In fact, U.S. Department of Agriculture (USDA) statistics indicate that farmers and ranchers only receive **16 cents,** on average, out of every retail food dollar spent on food that is eaten at home and away from home. In comparison, in 1980 farmers received 31 cents out of every retail dollar spent on food in America. The remaining 84 cents goes for adding value in processing, marketing, distribution, and retailing. This has increased because in the past, these practices were not as prominent as they are today. To many, this translates as *opportunity*.

Broadly, added-value activities are ones that enhance a product or service from the buyer's perspective. By adding effort to a basic item, we're hoping that the end result is worth more than the beginning raw material. Wheat, for example, may be worth $5 per bushel raw, but much more as flour or even more as bread and other baked goods. The term usually refers to changing the form of the product through some form of processing. For instance, taking raw leaf lettuce and chopping it and bagging it to form a table-ready salad. Or taking fruits and making jams, jellies, preserves and/or wine. Or pressing canola seed into canola oil, putting it in a bottle, and attaching a label. Or taking cereal grains like wheat, corn, and millet and making them into spirits such as vodka, whiskey, and gin, or like barley and wheat to craft beer.

Value-added tends to refer to products that have been processed through baking, cooking, canning, drying, fermenting, preserving, or spinning techniques (e.g., baked goods, jams, honey and maple syrup, dried fruit, viticulture, pickles, wool yarn, etc.). Value-added products can be produced by farm vendors with their own raw ingredients, or by non-farm vendors, with ingredients grown by an outside source.

But the term has evolved so that 'value-added' includes efforts that enhance the value through the product's characteristics—traits that may not be visually observed, such as being produced locally or organically, or have certifications about how or who produced it, or have information associated with it such as tracking details that go back to the retailer to the producer of the raw product. The concept at its core is to take $3 worth of product, add $2 worth of effort, and come up with something that can be sold for $6.

Helpfully, the USDA created a definition of a value-added agricultural product: The agricultural commodity must meet one of the following five value-added methodologies:

1. Has undergone a change in physical state;
2. Was produced in a manner that enhances the value of the agricultural commodity;
3. Is physically segregated in a manner that results in the enhancement of the value of the agricultural commodity;
4. Is a source of farm- or ranch-based renewable energy, including E-85 fuel; and
5. Is aggregated and marketed as a locally produced agricultural food product.

For the USDA, this definition of value-added agriculture is concerned with producers capturing a greater share of revenue. As an aside, you could argue that the last two are specific interests that fit within the other three methodologies. For the purpose of this publication, however, they are included since the local food component is a focus given its wide interest and is relevant since some groups or entities may be interested in applying for USDA grants that use the definition as a filter.

Diversification

Producers stand to benefit from diversifying into a value-added business related to the producer's product when the product is characterized by volatile prices at the farm-gate level, but relatively steady prices at the wholesale or retail level (Fulton, 2003).

For small operations, the keystone is that through personal attention in the field, high tunnel, or greenhouse, one can grow beautiful, healthy produce, for instance. But the labor involved can be fairly intense, so the quantities may only be small. So you must carefully choose which products make the most sense.

Let's be clear: there are many ways for producers to achieve an aim of increased profitability or, more broadly, financial stability. Value-added activities are expected to improve profitability or reduce risk for the individual farm, and risk is generally thought to be lower when value is created by offering a trait valued by consumers than when value is captured by changing the distribution of value in the production chain.

REACHING THE CONSUMER

In America, the number of food service meals eaten away from home has increased by 50%t in the last 20 years. Six significant growth trends in consumer demand have been identified:

1. More convenience.
2. Ethnic-identity foods.
3. Aging of the population.
4. Low-calorie foods.
5. Fresh foods instead of frozen or canned.
6. Healthy natural foods.

Value-added producers focus on creating products that fill these consumer desires. By being good entrepreneurs, they identify the desires of consumers and target markets (rather than just taking the commodity to the market and hoping that consumers will like it and use it).

For some producers of agricultural products, their first thought may not be to add value to a product, but to produce more of the product. They add more inputs such as fertilizer, or expand acreage, to produce a larger volume. Other producers will be inclined to do a more varied mix of products, such as a market garden farmer who expands from a range of 10 varieties of garden produce to 20. This farmer may very well find life very interesting in the variety and get tremendous joy from it. But is it worth his or her while to produce sweet corn or radishes, which may take substantial labor and space, yet may bring profits of only pennies per bunch?

That's not to say that smart decisions haven't been made in producing interesting crops. Have you been to a farmers' market in which the first tomatoes of the season are for sale, or sweet corn? What we're talking about in those cases is a producer who has created a competitive advantage over other producers by being the first to the market with a desirable—and tasty—product.

With adding value, the idea of creating a table-ready salad mix is to take humble components, add effort (and insight into what will be attractive to customers), and create a product that will make good money with a mix that is fresh, interesting to eat, and ready to go out of the bag. The effort, with the salad, comes in the form of careful leaf selection, tearing or perhaps cutting the leaves to a nice size, mixing with other leafy ingredients, double or triple washing the mix, and bagging them. A product like that might sell for good profits and build a loyal audience.

Note: Target markets are tightening as retailers and consumers pay more for a narrower range of eating experience. Hitting these target markets means that value-added businesses must know their consumers' desires.

Issues for Consideration
When considering embarking on a value-added agricultural initiative, it important for the producer to spend time on planning before

committing resources. For starters, a producer might consider the following preliminary questions (from Evans, 2015):

1. Can I describe the nature of the value-added initiative in plain and simple language? [The easier it is for you to describe what you have in mind, the better grasp you will have of what you want to do.]
2. Will anybody want what I intend to offer and be willing to pay for it? [Before answering this question, you might need to do some scouting for yourself without giving the idea away if it is a new one. Remember that it does not matter who pays as long as somebody will.
3. Is the potential payoff big relative to its costs? [As discussed earlier, an initiative is only considered to add value if it covers more than the costs, so as to make it worthwhile. Furthermore, the whole reason of undertaking this initiative is to improve the overall farm income.]
4. Does the initiative have staying power and the potential to grow? [Depending on the level of financial commitment needed, it is important, even at this stage, to assess whether the initiative contemplated has the potential to be sustainable or is just a fad.]
5. Do I have the required resources or access to them?
6. Is this something I will enjoy doing?
7. Can I cope with the downside if things do not turn out the way they should?

SECTION 2. EXPLORING IDEAS—WHAT'S COOKING?

"The prerequisite to a successful farming enterprise is to believe it is possible." —Joel Salatin, American author, lecturer, and farmer who encourages the use of sound animal husbandry, holistic management, and grazing techniques to ensure the sustainability of ranching and farming operations.

Joel Salatin is a farmer who sells directly to the end consumer, and charges a hefty premium for food produced the old-fashioned way. His Polyface Farms in Virginia offer pastured turkeys and broiler chickens, stewing hens, forage-based rabbits, free-range beef, and pork from pigs that have lived and mucked about in green enclosures under the sun and with room to roam. He sells high-end meat to a deliberately small and focused clientele of individuals and restaurants at time when most large agricultural producers are part of an industrial process.

The high-end meat goes for high-end prices: broilers sell for $20 each, and a single boneless ribeye goes for more than $30. But to his fans, the taste—of everything from pork ribs to eggs to steak—is worth it, knowing that it is not coming from the large-scale animal feeding operations that supply most of the meat found in typical supermarkets. "I drive to Polyface 150 miles one way in order to get clean meat for my family," a customer identified as "V. K." wrote on the farm's website.

Who could have imagined 30 years ago that supermarkets would carry organic produce or All Natural Laura's Lean Beef? Consumer preferences have evolved tremendously over recent years. It wasn't all that long ago that Alice Waters started her Chez Panisse restaurant with its emphasis on locally grown, seasonal ingredients, and, thus, she became a notable character in the food revolution that developed. The natural food movement of the 1960s and then natural food stores, the rise of organic production (including a national standard), and then going beyond that to local food and the farm-to-table movement with its emphasis on fresh, flavorful food with integrity all followed.

OPPORTUNITIES

Today, people want (and expect) to eat local all year long! So adding value to food products means a producer can be on their tables all year long. There are several ways this can be done:

- Create your own value-added product, whether it's marinara from your own tomatoes or fruit jams and jellies from your orchard. You create the recipe and go through the process to develop, manufacture, and market your own product.
- Sell the ingredients you raise to others who are producing food products. Or look at contract packers. Reach out to them and let them know you can provide them the ingredients they need.
- Work collaboratively with others to help create and market value-added products: co-branding. This works very well between farmers and restaurants. A product can be co-developed, used on the restaurant's menu, and sold at other marketing venues to promote both the restaurant and your farm.

As an example, let's go deeper into the opportunities just within the food system. Independent food producers are finding that the marketplace is much more receptive to products than in the past. Some of the change may be an increasing demand from those requiring special diets, such as the allergen and dietary communities, including:

A. Allergens (milk, eggs, fish, e.g., bass, flounder, cod); crustacean shellfish, e.g., crab, lobster, shrimp; tree nuts, e.g., almonds, walnuts, pecans; peanuts, wheat, and soybeans;
B. Gluten-free;
C. Vegetarian
D. 'Clean foods';
E. Ethnic dietary needs.

As a result, we see these changes within a typical grocery store—many of which are, or hint at, opportunities for value-added producers.

Organics and more organics. Organic food sales are growing by double digits, far outpacing the rest of the industry.

More local produce. To consumers, "local equals fresh," says Jon Hauptman of retail analytics company Willard Bishop (Kowitt, 2017).

No more cookie-cutter stores. Grocers are getting better at tailoring displays, including fruit and veggie offerings, to the demographic makeup of the neighborhood.

More "value-added" items. Peeled and precut (and more expensive) fruits and vegetables,

such as pineapple and butternut squash, save valuable prep time in the kitchen.

More in-store production. Departments like bakeries are making more goods in-house to signal freshness.

A new kind of takeout. A robust section of just-made, ready-to-heat or ready-to-eat prepared foods play on our desire for both fresh goods and quick convenience.

These results should come as no surprise to anyone who understands that industrial agriculture derives profits primarily from *quantity* factors: acres farmed, head produced, yields per acre, rates of gain, and the cost efficiency of large-scale production. *Quality* factors affecting prices have typically been incidental to profits and were often associated with cosmetic appearance rather than nutrition (tomatoes that are slightly misshaped, for instance).

With the rise of the local food movement, a venture might include a hoop house or maybe a greenhouse selling produce through a farmers' market stall or Community Supported Agriculture (CSA) venture, or grass-fed beef, plus the option of agritourism (such as a petting zoo, corn maze, or on-farm events).

If further value can be added to farm products, then one small business owner can generate an income to help the household, and a person is creating his or her own job and income. What it takes are people with innovative problem solving ideas and a work ethic to persist with bringing a product to market.

Two key questions will need thinking about:

1. Are there customers who might buy what you'll sell?
2. Will they buy enough to make the venture worthwhile?

Planning
Starting or expanding a value-added food business will take planning. Six months to a year is not an unreasonable amount of time to expect to spend in preparation for starting operations.

What we're talking about is *market feasibility*. Where most people start is with a product idea. When you first thought that you had a marketable product or service, you had in mind a certain audience who might be interested.

With specialty food products, many ideas come about because friends, family, and others who tasted a recipe liked it and commented that you should sell it. They've said that they'd buy your jam or barbecue sauce or salsa or granola, and that their friends would, too. They encouraged you to consider selling the product by suggesting to you that there was a market for it.

WILL CUSTOMERS PAY YOUR PRICE?

This is where it pays to be knowledgeable about your potential customer. A clear picture of your potential buyer's interests and spending habits will give you clues as to what they'll spend money on. If you know where they shop, you can find out if your product is priced comparably for those outlets. Simply visit the stores, farmers' markets, and websites to check prices and availability of similar products.

If you won't be selling to the end consumer directly, everyone who handles your product will add their own margin so that they capture profit for themselves. Because of the ways in which many specialty food products are produced and marketed, specialty foods are generally priced somewhat higher than mass-produced and mass-marketed products. Consumers are generally willing to pay a slight premium for specialty and gourmet products; however, you must determine what the market will bear.

Assumptions
Entrepreneurs often make two basic assumptions about a new business: that they have a product consumers will want and that the business owner can make and sell the product profitably. If you're working with investors, then give them reasons for confidence in you and your business based on research, data, and experience.

CAN YOU MAKE MONEY?

You can set the price of your product a number of ways—cost-plus, market priced, etc.—but for the sake of profitability, let's calculate the costs associated with making your product, then see about setting the price.

First, calculate all of your costs, both fixed and variable. Fixed costs are costs that don't change whether you produce one jar of jam, or 1,000. These include basic utilities, insurance, some salaries, taxes, rent, etc. Variable costs are those that vary with production: the more volume you produce, the more feedstock you use, the more production and packing materials, electricity, labor, shipping, sales commissions, etc.

At a certain production level, the sum of fixed and variable costs is your total cost. To find the cost per unit, divide the total cost by the number of units. To the cost per unit add the profit you want, which gives you the selling price.

A common mistake is to underprice a product—something that may only become clear after a product has been on the market for a time and a volume of the product is moving, but little profit is resulting. The counter approach is to set the price based on solid calculations of profitability so that you don't end up engaging in a very expensive hobby when you were actually hoping for a living wage.

WHAT'S YOUR BREAKEVEN POINT?

The breakeven is how many units you'll have to sell at a price in order to make a profit. At this point you will have sold enough product to cover all of your costs. Above the point, all of the income you make from selling a product is profit. For example, let's assume a company produces 3,000 jars of jam a year, and its total costs for the year are $12,000. If the jam sells for $6 a jar, they need to sell 2,000 of the jars to generate $12,000 of income and cover costs. The breakeven point is that 2,000th jar sold. The income from the last 1,000 jars is profit. If they sell them all, they make $2,000 profit for the year for this product in their line.

WHERE CAN YOU SELL THAT MUCH PRODUCT?

What about distribution? Where should a product be available so that potential customers will find it and buy it?

Are your buyers likely to look for products like yours in grocery stores, delis, gift shops, specialty food stores, supermarkets, farmstands, or other kinds of establishments? Can you sell directly to the retailer or grocery buyer, and are they receptive to your proposed product?

Hopefully your research indicates that you will be able to place your product into outlets where it will sell successfully at your proposed price.

WHAT TRENDS ARE HAPPENING AROUND YOU?

These days, many consumers are health conscious. Revisit the lists of trends from earlier in this section. What comes across is that many consumers have health as a top-most priority. They read labels with great interest, paying attention to certifications and health claims as well as to nutritional information. Producers who understand and adapt to market demands have a better chance at staying profitable, while others will lose their share of the market.

A trip down the food aisles shows labels that announce products that are organic, salt free, low fat, etc., which help people manage the many health issues in modern living: cholesterol, high blood pressure, diabetes, cancer, overweight/obesity, aging, and so on. Other products offer convenience and technological innovations to help manage the limitations on people's time, or local food, which can address health issues as well as regional pride. The makers of these products are all responding to opportunities.

And today, more than ever, adding value means "selling the sizzle, not the steak." The "sizzle" comes from information, education, entertainment, image, and other intangible attributes.

Currently, the local food movement and labels like non-GMO (genetically modified organism) are prominent in the minds of many consumers. From the food producer's perspective, what side you are on with an issue doesn't matter. What does matter is what the consumer thinks. Consumers are unlikely to be convinced to change their minds. So why not provide a premium product they want? It could be wheat for flour, local fresh greens, processed food products … anything. In the end, they are likely to part with their money with someone who provides what it is they want. So one of the most effective things a farmer can say regarding marketing is, "The customer is always right, even if I don't think they are."

In sum, from your initial notion that you might have a saleable product until the time you retire from business, you must stay abreast of new market trends and be prepared to react to changes in consumer demands.

GETTING THERE

Everyone's circumstances are unique, and will necessarily require a different approach within the new venture. Variables regarding crops or animals to raise or purchase, location, experience, abilities and so on will govern how you actually proceed from where you are to where you want to be.

Start now.

For most people who wanted an agriculturally based business before 2015, a good investment may have been an inspected kitchen. A separate kitchen that met food establishment requirements would have allowed you to sell baked goods and many canned goods and products like pies to a broader customer base in the state. In 2015, the Wyoming Legislature passed the Wyoming Food Freedom Act (WFFA), and the cottage food industry really began to take off. The WFFA was an aggressive revision of the state laws that govern food safety in Wyoming, the aim of which was to allow producers to sell processed food directly to consumers.

Foods made at home can now be sold directly from the producer to a consumer who has been informed that they have not been made in an inspected facility. The products must be bought for home consumption. A couple of limitations are that WFFA products cannot contain non-poultry meat (beef, pork, seafood, etc.). All meat must come from a state or federally inspected facility (other than domestic rabbit, fish, and poultry produced under the 1,000 bird limit). And, since WFFA products must be sold to the end consumer, they cannot be sold to wholesalers, brokers, and distributors, and sales outside the state are prohibited, which limits the potential somewhat. But generally all foods from cheese to salsas to jams can be made at home and sold to the public. The result is that producing food products at home can be a method to test the waters of food processing, if not a successful venture in itself.

Still, an inspected kitchen may be a good investment, especially for those ready to jump to the next level with sales to stores, restaurants, and institutions. If produced in an inspected facility, goods can then be resold, and new and potentially much larger markets are opened.

Characteristics
Being an entrepreneur often means you get up very early in the morning, you think on the fly about what needs to be done, often without the right tools, and by your bootstraps.

MARKET SEGMENTS

Market segments—a group of actual or potential customers who have similar characteristics—share the same wants and needs and respond similarly to marketing efforts.

The assumption is that not everyone will want your product(s). But some portion of consumers will be interested. What about them makes them potential customers? Understanding consumers' wants and needs is key, whether selling heirloom tomatoes or salsa. Ways to know your customers: who they are, where you'll find

them, what's important to them, what gains they're seeking, and what pains them.

Conducting Market Research

Many entrepreneurs become convinced of the viability of a venture once a product is perfected. In many cases, they believe so strongly in their product that they move quickly—even aggressively—to bring the product to the market, forgoing market analysis. Even a revolutionary product does not guarantee success for the venture. What if the product is too early to market, and demand will not exist for many years? Bringing the product to market too soon affords prospective competitors opportunities to emulate technology and bring their own products to market at a future time.

Market analysis considers various types of information in an effort to determine if a venture's products and/or services can be sold in sufficient quantity and at sufficient prices to warrant entry into the market by the venture. Translation: Market analysis helps entrepreneurs determine if they can make money within a certain market with an existing or prospective product or service. There are four basic types of analysis:

1. **Demand analysis**: Is there sufficient near-term and long-term demand for the product and/or service?
2. **Competitive analysis**: Can the new product and/or service sufficiently differentiate itself from competitive offerings to generate adequate sales volumes?
3. **Supply analysis**: Is there so much supply in the industry that even a competitively differentiated product or service cannot generate adequate gross margins?
4. **Characteristics for optimal strategic position in market**: What characteristics define the "optimally positioned" enterprise in the market? The brand, sales channel, and marketing effort? The product quality? The geographic focus?

The overall aim of market analysis is developing a marketing strategy and fine-tuning the product to increase the odds of success. Often that is by carving a niche out of the marketplace to focus on. Niche markets consist of groups of consumers (market segments) within the larger marketplace who have similar demographic, buying behavior, and/or lifestyle characteristics. Examples of this are food buyers who prioritize quality assurances and source of production, and consumers who seek an easy preparation entrée available in convenient form. Even consumers with the same buying behavior may have differing motivations, which are essential elements to know for marketing and promotion. For example, organic consumers used to be identified by their concern for their environment, but now there are entirely different segments of consumers who buy organics because they perceive those foods as having higher nutritional benefits.

Niche markets are the most attractive opportunity available to small businesses that are forced to compete against the scale economies that larger competitors are able to achieve. In the food sector, organics, local products, heritage varieties, biodynamics, and humanely treated livestock are a few of the alternative product choices sought by specific consumer segments. A familiarity with the market and good market analysis can narrow the market to a manageable level.

Developing and Idea

A picture should be forming in your mind: an idea of who will buy your product, what product you will make, how much you will be able to sell it for, where to sell it, and how you will promote your product. If your research work has gone well, then you have the solid beginnings of what every lender, business partner, or investor will appreciate: a business plan.

Eight Actionable Critical Success Factors
(from Cooper, 1999)

1. **Solid up-front homework**—to define the product and justify the project.

2. **Voice of the customer**—a slave-like dedication to the market and customer inputs throughout the project.
3. **Product advantage**—differentiated, unique benefits, superior value for the customer.
4. **Sharp, stable, and early product definition**—before development begins.
5. **A well-planned, adequately-resourced and proficiently-executed launch**.
6. **Tough go/kill decision points or gates**—funnels not tunnels.
7. **Accountable, dedicated, supported cross-functional teams with strong leaders**.
8. **An international orientation**—international teams, multi-country market research and global

Research Process Applied

A core worry for most food entrepreneurs is: everybody who tries it likes it, but would they pay for it? A direct way to test this is to assemble your own focus group. Just gather them together and ask them to honestly answer that question and others. Assemble the group by asking yourself who might buy the product and why, what they would pay for it, and what they would do with it. Then consider what you know about them: are they gourmet cooks, or harried moms and dads looking for something to make life easier? Do lots of different kinds of people like it, or does it require a more sophisticated palate? Where do these people shop? Is it something they'd give as a gift? Is it an alternative to a mass market product they already use? Keep going until you've looked at the product from every possible point of view.

Next, do your homework. Visit the library and use one of its finding aids to locate recent newspaper and magazine articles about food trends, and about your kind of product in particular. If your library has a reference librarian, ask for his or her help. College and university libraries are good places to do research. While they may not let you check out books, most will allow you to read and copy materials in the building. Study everything you can find about consumers who buy specialty foods like yours.

Talk to gourmet food buyers, gift basket buyers, grocers, or others who might be potential buyers. Your research will help you discover if there is an existing market or an emerging market for your product.

These are the basic steps of discovering your potential universe of buyers. Armed with this knowledge, you'll be better able to judge if you actually have a shot at success, and where to target your next efforts. Further research will be needed for the competitive and supply analyses, but you will have gotten a start with the demand and strategy analyses.

SMALL BUSINESS AND YOU

Courage to pursue risk, innovation, and persistence—among the essential elements of entrepreneurship—can lead to success. Without these essential elements, a venture *will* fail.

The word *entrepreneur* derives from the medieval French word *entreprenour*, or "one who manages, undertakes, or controls." Originally, it was used to refer to a person who was a leader in a battle, a champion.

Today, we see entrepreneurs more as risk takers. Howard Stevenson and colleagues at Harvard Business School defined entrepreneurship as "the pursuit of opportunity beyond the resources one currently controls" (Stevenson and Gumpert, 1985), and an entrepreneur has come to mean a person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.

Words often associated with entrepreneur are visionary, innovative, passionate, independent, optimistic, and driven. And these things an entrepreneur may very well be. The people who are nationally and internationally recognized for their ideas and for the successes of their companies—Steve Jobs and Steve Wozniak building Apple Computers in their garage, Henry Ford's ingenious assembly line, Oprah Winfrey as a media presence, Walt Disney as an

animator, J.K. Rowling as a writer, and Bill Gates as a software developer—are very much lauded for the ideas they brought forward. So certainly there is a large element of innovation in entrepreneurship. The legendary management thinker Peter Drucker wrote: "Innovation is the specific function of entrepreneurship (Drucker, 1985)."

Yet an innovative idea cannot be the end of entrepreneurship. Depending upon the market, your business cycle, your personal and family responsibilities, and other things, you may be averse to risk some days, and open to it on others. You may continue life in a "business as usual" way for years, until you strike upon an innovation and take a risk worth trying for.

For example, a specialty food producer, an accountant, and a wholesale distributor may all be entrepreneurs of some sort. But some people may wonder about whether a specialty foods producer is more of a home-based microbusiness. Or if a distributor is less entrepreneurial because he or she inherited the business. Or what exactly is the nature of the innovation in an accountant's practice?

We maintain that you are your own boss and have the opportunity to take on risk and innovation to act as entrepreneurially as you wish. The initial startup decision is certainly an entrepreneurial act, and it is *you* who must see that the venture persists.

The difference between 'risk takers' and 'calculated risk takers' is the difference between failure and success. Risk takers bet it all on one roll of the dice.

In fact, entrepreneurs may be some of the most risk-averse people around. Seasoned entrepreneurs often don't think of themselves as risk takers, even though everyone else does. They have developed very good ways to limit potential losses as they start a venture. They think through what they are willing to lose in a endeavor, and they seek to put the odds in their favor by acquiring superb knowledge or a key advantage about the space in which the risk is taking place.

Paul Brown (2014) observed that there are at least seven classes of assets at your disposal and at risk:

1. Money (of course).
2. Time.
3. Professional reputation.
4. Personal reputation. No one wants to be branded a loser.
5. Opportunity cost. If you are spending time on X, you cannot be working on Y at exactly the same moment, while Y potentially could be a far better idea.
6. Relationships. Starting anything new is stressful—emotionally and financially. And it is easy for that stress to spill over into your relationships with your spouse, partner, children, and others.
7. Your health and sanity. If you are not careful, the stress of starting a new business can jeopardize both.

So entrepreneurs are extremely motivated to work extremely hard to limit all the risks they face.

SECTION 3. FOLLOWING THE RULES

"Rules exist for a reason. Rules exist because when people don't follow them, people get hurt." —Ally Carter, the pen name of Sarah Leigh Fogleman, an American author who writes fiction novels for adults and young adults.

This section was written in partnership with the Rural Law Center within the College of Law at the University of Wyoming.

State and local authorities generally regulate activities and issue permits for zoning, building, land, and water use.

The regulations in a state are influenced by their unique history and ecology. The agencies responsible for regulations vary widely from state to state, and so do the resulting regulations, so research into local and state regulations is necessary.

At the federal level, the U.S. Food and Drug Administration (FDA) regulates the safety of the food supply, the U.S. Environmental Protection Agency is responsible for environmental regulations, and the USDA, or a USDA-equivalent program delegated to the state, inspects meat, poultry, and eggs/egg products to ensure safety standards are met.

Other agencies are involved in different ways, depending on the industry. For instance an aquaculture venture might have to abide by regulations of the U.S. Army Corps of Engineers, National Oceanic and Atmospheric Administration, and U.S. Fish and Wildlife Service.

The Lacey Act
The U.S. Fish and Wildlife Service is responsible for enforcement of the Lacey Act, a federal statute passed to protect fish and wildlife. The act makes it unlawful to "import, export, transport, sell, receive, acquire or purchase" any fish or wildlife "taken, possessed, transported, or sold" in violation of laws or regulations that relate to fish or wildlife. The laws or regulations violated could be state, federal, tribal, or foreign. It is triggered when a law governing fish or wildlife is violated by a product that has been part of interstate commerce.

WYOMING FOOD FREEDOM ACT

Wyoming state food regulations now allow selling food made at home. The WFFA, which was adopted in 2015 by the Wyoming Legislature, allows people to sell homemade foods without having an inspected kitchen facility (i.e., becoming what would be known in regulatory language as a "food establishment," with the associated standards of construction, processing, and inspection). If you sell your goods in compliance with the WFFA, that sale will be exempt "from state licensure, permitting, inspection, packaging, and labeling requirements."[1] To comply with the WFFA, three things are required: first, only sell the permissible homemade goods; second, ensure all transactions of applicable goods are between you and a non-retail, home consumer (the end consumer); and third, make sure all transactions occur in the specified locations and events.

What can you sell?

The WFFA significantly loosened what may be sold by home processors. WFFA generally allows all non-meat products to be sold without regulations; however, there are four exceptions for meat products:

1. Poultry and poultry products may be sold if you slaughter less than 1,000 birds during one calendar year; you do not sell or buy poultry products other than poultry raised on their own; and the poultry is not adulterated or misbranded.[2]
2. You may sell live animals and portions of live animals pending slaughter for future delivery.[3]
3. You may sell domestic rabbit meat.[4]
4. You may sell farm-raised fish other than catfish if raised in accordance with Wyoming fishery statutes.[5]

Who can you sell to?

The goal of the WFFA was to ease transactions of homemade products between the producer

[1] Wyo. Stat. Ann. § 11-49-103(b).
[2] *Id*. at (c)(v)(A).
[3] *Id*. at (c)(v)(B)-(C).
[4] *Id*. at (c)(v)(D).
[5] *Id*. at (c)(v)(E).

and direct consumer; therefore, the act expressly forbids transactions for homemade products between a producer and a commercial entity. All transactions must be between the producer and the immediate consumer.[6] The immediate consumer is the individual who intends to consume the homemade product. For example, you may not sell homemade foods (without the labeling, licensing, packaging, regulation, and inspection as required of products produced by food establishments) to a retail, commercial store.

Where can you sell?

Generally, the WFFA allows transactions of homemade goods to occur "at farmers' markets, farms, ranches, producers' homes or offices, or any location the producer and the informed end consumer agree to."[7] If you have a retail space (not associated with a commercial food establishment), then you must inform the end consumer that "the homemade food has not been inspected."[8] You must display a sign indicating that "the homemade food has not been inspected."[9] There may, however, be a situation in which a farm or ranch has a retail space associated with a commercial food establishment, for which the WFFA creates an exception.

If your retail establishment is connected to a commercial food establishment, then you must follow three rules. First, ensure that the retail space is physically separated from the commercial food establishment: there must be different doors for the retail and commercial stores.[10] Second, each separate place must have its own sign, clearly indicating which spaces offer which items (uninspected/WFFA items, and traditionally inspected items).[11] Third, maintain and use separate coolers, freezers, and warehouse or other storage areas so that inspected and uninspected items are kept separated.[12]

Takeaways

- You may sell all non-meat products and some meat products if they meet an exception.
- Sales must be between you (the producer) and the informed end consumer.
- While you may sell at farmers' markets and retail locations on a farm or ranch, if your retail location is connected to a commercial food establishment then you must follow the specified guidelines.

THE FACILITY INSPECTOR

The alternative to being a WFFA producer (selling home-processed foods to informed end consumers) is to become a food establishment and fall under the regulations of Wyoming's Food Safety Rule. This would allow processed foods to be sold to intermediaries in the value chain such as restaurants, institutions, and wholesalers that are either within Wyoming or in other states (e.g., ship the product over state lines). The hurdle for this privilege is to build a facility that meets state health regulations, and ultimately be inspected by the state or local authorities who enforce the regulations.

You might wonder why you would be calling an inspector when you have nothing to inspect. But in a sense, you do. It's your plan. When you make contact with the proper regulator agents early in the process, you do two important things. First, you will be developing a good, up-front working relationship with an individual who will play a large role in your future professional life. Second, by discussion your plans before you invest any money in architectural drawing, permits, and so on, you will have the opportunity to make choices that could prevent costly changes later in the process.

Who to contact

[6] *Id*. at (c)(i)-(ii).
[7] *Id*. at (c)(vi).
[8] *Id*. at (d).
[9] *Id*.
[10] *Id*. at (d)(i).
[11] *Id*. at (d)(ii).
[12] *Id*. at (d)(ii).

Finding out who to contact can be a challenge in some areas. For the most part, the Wyoming Department of Agriculture will license and inspect food processing facilities. The department's Consumer Health Services division is responsible for enforcing the regulations set by the Wyoming Legislature in the Food Safety Rule.

In some Wyoming counties, there is a county- or city-based office to regulate food safety: for example, the City of Laramie, and the counties of Laramie, Natrona, Sublette, Sweetwater, and Teton.

What to ask

Important questions for your food safety inspector include:

1. What are the options for creating the product you wish to sell?
2. At what point in the process does the inspector want to become involved?

Remember, the duties of inspectors revolve around enforcing regulations. Their aim is to see that the food supply is safe, and they come at the issues from the application of scientific standards [more on the position of the food safety inspector's approach and issues?] as they work with the policies that set by the Wyoming Legislature and the executive branches of government. If particular rules do not seem to make sense, don't blame the messenger. The more professional and positive you can make the relationship, the more it will benefit you in the long-term.

Building Plans, Permits, and Contractors

Once you decide on a floor plan, you will need a set of building plans drawn by a qualified person. A qualified person does not necessarily mean an architect, but he or she must be someone familiar with the building codes that will be enforced in your jurisdiction.

Once drawn to your satisfaction, the plans will be submitted to the building or permitting department for approval. There may be a long period in which changes to the building plans might be required. Also, permits, such as for septic and water, need to be approved prior to the approval of the building plans, provided you are in a zoned area.

The department may have changes it requires, and the health inspector may have revisions to make as well. But hopefully they will be minor and your plan will proceed. Factors that may affect approval include:

1. Proof that zoning requirements have been met and are acceptable;
2. Engineering requirements, load calculations, etc. (architects should be aware of these requirements and will have them included in the plans);
3. Infrastructure, such as septic and water.

The planning and information collection is the solid foundation that could make the difference between success and heartache, delay and expense.

Look before you leap

Take the time to create a business plan, or at least a basic summary of estimated costs, expenses, and income. The planning process can be a tedious, sometimes mind-numbing process (especially for those who would rather be physically engaged in production or kitchen/laboratory research), but it is worth the time. Even a simple summary will give a rough idea of the feasibility of the project—before making a regrettable decision.

Production Costs and Issues

If you are considering turning a hobby into a business, then you are probably trying to find the answer to a very important question: *What's it going to cost to build?*

To help you develop a projection of costs, let's examine the major areas to consider when looking at start-up costs.

As you might imagine, there is great variation in the cost of building food processing facilities. Here are seven areas that can greatly affect the cost. As you read these, you can start visualizing how your project fits into the spectrum.

1. **Property**. Owning (without debt) suitable property is the ideal situation, but if not, then include mortgage and purchase costs in a start-up cost estimate.
2. **Buildings.** Are there existing buildings that can be remodeled to meet licensing requirements? This will help reduce permit fees as well as building costs. If there are no suitable buildings, you will have more costs, but can build to suit your goals.
3. **Septic**. Will the existing septic system accommodate an added bathroom? Can the municipal system handle your waste water?
4. **Power**. Is there adequate power supply to the buildings? If not, get estimates from electricians and/or the power company on having lines run, and consider exploring the feasibility of renewable energy, such as solar and wind.
5. **Water.** If a well is present, will it meet water quality requirements (as required by the Food Safety Modernization Act [FSMA] or other regulations or certifications)?. Will any type of water treatment be needed? Will the well provide enough water for the venture's needs? Well drilling and water treatment costs vary greatly, from a few thousand to many thousands of dollars, so call area well drilling companies to get estimates.
6. **Insurance.** Farm and liability insurance for some ventures may be hard to come by and costly. Other ventures may be covered under an existing policy or easily added. Health insurance costs should be included as well, unless provided by a spouse employed outside the venture.
7. **Operating Capital.** If you will have product to sell immediately, and a market for it, the operating capital requirements are reduced. But if a product comes in batches (such as those requiring aging, or to accumulate a cost-effective volume), or there are delays in payment then budget for money to cover expenses until the income matches costs.

Three Common Surprise Building Costs

- **Wall, ceiling, and floor finishes**. Food establishments require very durable, waterproof finishes that can be easy to clean and sanitize, which, in turn, can be costly.
- **Sinks and other stainless equipment**. Used or new, these often cost more than you might expect and sometimes don't meet the inspector's requirements.
- **Refrigeration equipment**. Finding equipment to meet the requirements can be a challenge.

Tips for Reducing Costs

- Start shopping for used equipment early in the process: Check restaurant suppliers, classified ads for restaurant auctions, etc. Watch agricultural newspapers and Internet auctions and classifieds.
- Prioritize projects: Can some improvements or additions be made after your facilities are inspected and you are producing income? If you do this, try to accommodate future expansion in your construction plan. For example, supply wiring and plumbing for an addition, provide adequate space in the circuit box for additional circuits, plan where you could add on if needed, etc.
- If you have construction experience, ask if you can serve as one of the crew, or even consider being your own general contractor.
- Look for cost-saving construction options (such as salvaged fiberglass doors instead of new commercial doors), but beware of sacrificing quality and longevity to save money as it may not pay off in the long run.

Common Finance-Related Start-Up Mistakes

The first mistake is **not doing a cost analysis** before sinking money into the project. A bit of time invested early will prepare you somewhat for what you might be getting yourself into, and hopefully avoid some of the physical exhaustion, lack of leisure time, and financial stress.

Other common mistakes are **to build too small, not anticipating production level increases, and installing undersized equipment**. Many entrepreneurs begin adding on within a few years or so of construction, or at least planning on adding on.

The last of the most common money-related mistake areas is to **overestimate the amount of income** that will be generated and to **underestimate expenses.** Once again, a business plan may be able to help avoid this. But it is always difficult to accurately anticipate just how much money you will make and how much it will cost you to do business.

Most small businesses take several years to turn a profit. You may work "for free" for some time before you actually start making money. If, in the meantime, you can work relatively comfortably in a facility that you can be proud of and produce a product you are pleased with, then the venture will be much more satisfying.

Can I get a grant for that?

Financial support in the form of a grant would be great, wouldn't it? The truth is that government grants for starting small businesses are rare, and those tend to be for particular kinds of efforts, such as exploring a technology. There are some sources, however, that might be of interest.

- Value-Added Producer Grants from USDA Rural Development.
- Wyoming Small Business Innovative Research (SBIR) grants, phases 0, 1, 2, and 3.

In addition, there are some sources of business loans that tend to focus on agriculture—the agricultural lending office of commercial banks, for example, and Farm Credit Services of America (a stockholder- and customer-owned association that provides credit to farmers and ranchers in Wyoming and three other states). And a city or state economic development fund may provide a grant or loan, especially for infrastructure development.

And there are loan guarantees that can be used to increase a commercial lender's confidence that a loan will be repaid should the venture fail.

SECTION 4. STARTING UP

"Everyone can tell you the risk. An entrepreneur can see the reward." —Robert Kiyosaki, American businessman, entrepreneur, and author who founded the private financial education company Rich Dad Co., which provides personal finance and business education to people through videos and books.

The business of agricultural value-adding usually transports producers from the familiar to the unfamiliar, from the known to the unknown. We shift from the relative comfort of dealing with people with similar points of reference to the uncertainty of engaging those with very different views and discussing unfamiliar business practices.

ASSUMPTIONS

Starting a new business is essentially an experiment. And contained in the experiment are a number of assumptions that can be tested only by experience.

It's worthwhile to document the assumptions to help in recognizing threats, and eventually modify your strategy when things don't go as planned. And, of course, outside investors will want to have a sense that you've done your homework.

This section reviews some common assumptions made in new venture development.

PEOPLE

A product doesn't make itself, and a venture doesn't run itself. Getting a venture going requires thousands of decisions to be made and carried out, and no one is born knowing how to do things like organizing a company, handling accounting, creating marketing strategies, developing budgets, taking care of legal issues, managing people, preparing taxes, and performing the many other tasks required to operate a business. Yet one of the key assumptions of a business plan is that the principal people involved can run a business profitably. To be able to manage all aspects of the business comfortably will take significant effort—and support.

The support will come in the form of the people you have around you as employees and advisors. Remember that a team will get you further, with fewer mistakes, than you could go alone. Build your team with a diversity of skills and resources to be effective, and be clear with them about who has the final say.

It takes a lot of work to start a venture. Entrepreneurs tend to work long hours most days—it's simply what's required. To help reduce the personal cost, delegate and outsource some of the daily tasks and responsibilities of the business so you can have breathing space from time to time. Doing it all will mean burning yourself out.

In sum, know yourself—what are your strengths, and where is your contribution best focused? And second, be able to find the right people to bring into your management structure—not only for the health of the business, but for your own health, too.

CAPITAL

There are lots of ways to kick-off your venture without a bunch of capital. One of the best is to start micro-testing your product either on the side or in small batches to scale your growth incrementally. Big chunks of capital might help you grow faster, but sometimes a slow and steady growth rate can help you stabilize and get your business legs underneath you while your profit margins grow.

Longer term, remember that cash flow and profit are not the same. While the income statement may indicate that your revenues have exceeded expenses (a profit), it won't tell you anything about the timing of cash flows. And even when a business starts making a profit from operations, it might still take months or years to pay off the initial start-up costs. Many small businesses fail because the owner believes he or she can fund the operations on sales. Sales volumes that will be more than adequate for making a profit in

year two or three might not even be close to helping meet your debt service obligations the first year. That's where a reserve of capital (either yours or from another source) can bridge the gap.

STRATEGY

Harvard Business School Professor Michael Porter suggests that there are two ways to build a competitive advantage. First, you can attempt to provide customers with unique products and services unavailable from other firms. This approach is called a ***differential advantage***. In a differential advantage strategy you focus on being a value-added firm by providing services that enhance your product and capitalize on what makes you unique.

We see this with approaches that include product performance, delivery, product quality, taste, packaging, customer service, technical expertise, image—the list could go on. Any area that customers perceive to be important becomes a potential basis for differentiation. A differential advantage strategy stresses uniqueness.

The other way Porter offers is to be a low cost leader. ***Cost leadership*** involves meeting the market's product offering with an offering of comparable quality and features, but beating the market on price. Hence, cost leaders work hard at running extremely efficient operations. Cost management is a central focus, and every potential efficiency that does not undermine the product/service offering is pursued with a vengeance. Cost leaders will emphasize price in their message, while assuring the market that their quality is acceptable.

Strategy, then, involves some very big-picture decisions about how to make money. Farmers and other entrepreneurs should ask, "What can I produce to sustain or improve profits in my business?" The search for "what" to produce has led many to experiment with new and different opportunities, with varying degrees of success. Success or failure often depends on "how" the enterprise was approached.

Value-added ventures have taken the path toward a differential advantage in the marketplace. And within that strategy, the entrepreneur chooses how to approach the different decisions to making and distributing a product. Wholesale? Retail? Local markets? Regional or national distribution?

Competitive Advantage.
Competitive advantage is the set of competencies in which a venture has a clear and distinct advantage over the competition. Competitive advantage is the firm's edge in the marketplace; it is the reason customers choose to do business with the firm as opposed to buying from another business.

Strategy and Management Tips (from O'Neill, 1997)

- Have multiple, diverse markets, because some may fail.Find a unique niche that is hard to imitate and develop a product to fit it.Realize that it takes hard work, commitment, and time to build a market.
- Provide higher quality products and services instead of competing for the lowest prices.
- Understand your potential market: viable prices, quantity, and quality demanded.
- Build relationships with consumers directly so that they will not shift to lower-priced products if large agribusinesses try to undercut the market.

SHOULD I HAVE A BUSINESS PLAN?

Business plans help the writers think about where they'd like to go and how they imagine they'll get there. Plus, they help address areas that need to be thought about, but that might get avoided or forgotten (perhaps because they are not one of the writer's strengths). A business plan doesn't need to be long. Something simple that effectively outlines your mission, the people involved, your strategy, your funding, and the marketing tent-pole efforts with some information about how you'll measure your success, and you should be good to go.

Some entrepreneurs get bogged down in the weeds of putting together a full business plan to start their enterprises. You should test out whether your business is a viable option before

sinking money into it. Others jump into a venture following a gut feeling and hope.

Get a solid two- or three-page outline of your business plan, and then get to work. You may need to spend more time on the details of the plan, either for your own piece of mind or, if a more complete plan is required when involving investors, so that they can get a sense of the whole effort and whether it is worth considering.

SETTING PRIORITIES

Anyone who is self-employed should think carefully about how they spend their time, and what it is costing them. Time is money. It is easy to forget that you're spending money even when you're not writing a check. Every minute you're not being paid by someone else, you're spending your own money.

Let's take an example of a cost/efficiency analysis for a small business owner who is based out of his or her own home. Someone has to clean the house. And you're at home, so you're a likely candidate. Let's dig deeper. The thinking may run like this.

1. How much is my time worth, per hour?
2. How much does a housekeeper charge, per hour?

Even when you don't have a lot of money, recognizing where you could be getting potentially *massively* greater returns on your time—for example, spending an hour doing customer development versus spending an hour formatting a pitch deck (developing a short presentation of slides for potential investors)—and then delegating or outsourcing the less important tasks is one of the biggest personal wins you can score.

EFFECTIVE GOALS? THINK 'SMART'

A **goal** is a desired outcome. It is often expressed as an outcome statement that defines what you are trying to accomplish at a large scale either for the venture or a project within the venture. One way to bring structure and trackability into your goals is to apply some guidelines to increase their effectiveness. Instead of vague resolutions, 'SMART' goal setting creates a plan toward a certain end point that can be easily followed.

Specific: Goals should be simplistically written and clearly define what you are going to do.

Measurable: Goals should be measurable so that you have tangible evidence that you have accomplished the goal. Usually, the entire goal statement is a measure for the project, but there are typically several short-term or smaller measurements built into the goal.

Achievable: Goals should be achievable; they should stretch you slightly so you feel challenged, but defined well enough so that you can achieve them. You must possess the appropriate knowledge, skills, abilities, and resources needed to achieve the goal.

Relevant. This answers the questions: "Should it be done?", "Why?", and "What will be the impact?" Is the objective aligned with the ultimate aims of the venture? Goals should measure an end result (outcomes), not activities used to achieve those results.

Time-bound: Time is money. Make a tentative plan of everything you do. Everybody knows that deadlines are what makes most people switch to action. So install deadlines, for yourself and those who work for you. Keep the timeline realistic and flexible, that way you can keep morale high. Anchoring a goal within a timeframe, e.g., "by May 1", sets your unconscious mind into motion to begin working on the goal.

In sum, a **goal** is a brief, clear statement of an outcome to be reached within a specific timeframe. A goal is a broad, general, tangible, and descriptive statement. It does not say how to

do something, but rather what the results will look like. It is measurable in terms of quality and quantity. The approach you take to achieve a goal is the strategy.

The actions taken to make goals happen are **objectives**. Objectives define the actions that must be taken to reach the goal. It is likely that a series of objectives that must be attained to accomplish specific goals.

A goal is where you want to be, and objectives are the steps taken to reach the goal.

TAKING RISKS

Entrepreneurship is often associated with risk, and that may not be a helpful association, as it encourages first-time entrepreneurs to be more gung ho with their decision-making. In fact, many successful entrepreneurs who succeed consistently are quite risk-averse.

They'll make calculated bets and take smaller risks—this is what lean startups are built around—rather than swinging for the fences with any single business decision.

Taking smaller risks and hedging against loss helps you stay around for a lot longer…and gives you the time to place a lot more calculated bets.

FURTHER READING

Strategic Business Planning for Agricultural Value-Adding Initiatives by Vincent Amanor-Boadu. Kansas State University. 2003. www.agmanager.info/strategic-business-planning-agricultural-value-adding-initiatives

SECTION 5. MARKETING

"Great marketing won't save a poor product, but with poor marketing, even a great product doesn't stand a chance." —unknown

Ask people what they think of when the term 'marketing' is mentioned, and most will answer 'advertising' or 'selling'. While these may be two of the most visible marketing activities, marketing involves far more.

In reality, marketing includes a wide spectrum of decisions and activities that center on satisfying customer needs and wants. The full marketing process involves identifying customer needs, developing products and services to meet these needs, establishing promotional programs and pricing policies, and designing a system for distributing products and services to customers.

> "Keep it simple. If you can't explain your product/service in five seconds, don't expect consumers to figure it out." —Food Entrepreneur

MARKETING MANAGEMENT

Marketing can be defined as the process of anticipating the needs of targeted customers and finding ways to meet those needs profitably. There are several key ideas in this definition. Good marketers are always working to anticipate what their customers' needs will be in the future—be it meal kits delivered to the front door, or baked goods made from specialty grains. Good marketing involves having the right products and services available when the customer is ready to buy them.

Good marketers understand that a high-income, dual-career couple with no children has different needs than a young, middle-income family with two children. While entrepreneurs may pursue more than one target market, their approach to any single market segment involves a set of decisions tailored to the unique needs of the segment—the ***position*** it wants to take in the market. Here the focus is deciding what to be known for among the target customers.

MARKETING MIX

This position is created by a set of key decisions a marketer must make—the marketing mix. The marketing mix is often referred to as the 4 Ps of marketing: product decisions, price decisions, promotion decisions, and place (or distribution) decisions.

Product: The right product is the one that meets the needs of customers. This may require you to improve different aspects of the product to improve performance. Adding more features that are important to customers, improving quality, changing the packaging, or offering the product in different sizes or quantities are examples of changes that can make your product more appealing to customers. This means developing what is distinct about the product and defining your target market.

Price: The price you set for your product must represent value to your customers. By comparing the price your competitors charge and the features they offer, you can assess whether your product offers greater value for money. Pricing can be tricky because you need to calculate the value of what you offer along with what it costs you in materials, time, and overhead to produce it. But you also want to think about what your market is willing and able to pay, and whether they think your product is worth what you're charging. You don't want to undercharge, but neither do you want to ask people to pay more than what your product/service is worth. If a competitor tries to win business from you by offering a similar product at lower price, you must decide how to respond. If you decide to lower your own prices, calculate the likely increase in sales so that you can maintain profit levels. Pricing decisions also cover the level of discount you offer to trade customers, such as retailers or distributors.

Promotion: This is where you put all the information you've gathered to work. You know your product, who can benefit from it, the best price to sell it at, and where to sell it. Now, you have to get people to your "store." Promotion is all about knowing where your market can be found, how to craft a message to entice them to check out your product/service, and determine

the best method for delivering that message (e.g., advertising, social media, interviews, etc.). The most effective marketing is focused in message and location.

Place: Where can consumers find and receive your goods? If you sell consumer products, you can distribute them through retail outlets, mail-order catalogs, or the Internet. If you sell products to other businesses, you must decide whether to offer them directly through a sales force or on the Internet, or indirectly through distributors. Geography is another factor to consider. You may decide to offer your products locally to minimize transportation costs or sell in other regions or other countries to take advantage of customer demand. The place decisions must tie back to the other marketing decisions—you would want luxury items to be available in a place that suggests quality and refinement, as opposed to frugality.

Value to the customer is defined as the ratio of what they receive (benefits) relative to what they give up (costs). As customers make purchasing decisions, they compare the perceived benefits of the purchase against the perceived costs. If the value equation is tipped in favor of the benefits, i.e., the benefits exceed the costs, the customer has found a good value and will make the purchase, provided another supplier isn't providing more value on the same item.

VALUE PROPOSITION

The value proposition of the business is clear articulation of the unique characteristics of the enterprise's products and services, as perceived by its customers. In other words, why would potential customers choose your products and services instead of those of the competitors? Why would they not only choose you, but reward you for providing them with your product or service? Articulating the value proposition, therefore, requires an understanding and appreciation of the gap in the customer's needs that is filled by the business being planned.

Tips for Making Direct Marketing Work

1. Get your name out there. Test the reception to your product by selling at farmers' markets. Though beware that you or a helper will have to be there every day of the market to build a consistent following.
2. Remember that you're selling yourself. Don't just be a person in a booth. Customers will talk to you and may become friends over time. Making personal connections and educating customers on your product allows you to give customers a say in the food (and other products) they choose to purchase.
3. Make sure you're in an area with sufficient market for your products. Some products lend themselves to being sold closer to metropolitan areas.
4. Show off your products. Spend money on display units in which people can actually see your products, such as glass-topped freezers.
5. Give your customers choices. Many who direct-market do so through Community Supported Agriculture (CSA) ventures. Make sure that there are options in the size of the shares, options that can be added on, or length of the season.
6. Use social media. Not everyone can visit a farm or thinks to ask about how products are produced. A business with a Facebook page has followers who can see the product and what is going on (such as new releases), and so put a face to their purchases.

PROMOTION TACTICS

Decide if you are average, above average or below average compared to your competitors. Consumers are evaluating you as soon as they walk in the door. Watch their body language and what they say to their friends. Understand your baseline then decide where you can improve. Your business can always get better.

Social Media

Social media is being used by all demographic groups (from poor to rich, young to old, one ethnicity to another, almost everyone is using social media in some capacity). This is where people are going for information and to make connections. These are the main social media sites at the moment.

Facebook—is the biggest site for consumers to connect with food sources. If you can only do one social media site, Facebook is where you should be. Also consider Facebook Messenger.

Instagram—is a photo site that requires a smartphone to use it. An Instagram and Facebook account can be linked so that a posting on Instagram image automatically feeds to Facebook.

Twitter—is a microblogging site in which the short, disconnected messages can be utilized to keep customers informed and also to connect with potential customers.

Pinterest—is very visual. Companies using Pinterest are finding it very helpful at connecting them with consumers.

YouTube—is often used to show how their product was made or how to use it.

Made in Wyoming program

The state of Wyoming has a program to help small businesses identify as a locally made product. Membership in the program is for products that are "made, grown, manufactured, or substantially enhanced in the state (Wyoming Business Council, 2016)."

Businesses can use the trademarked Made in Wyoming logo (available as stickers, hang tags, and electronically), and gain access to space at couple retail and wholesale venues, are listed in an online directory, and are eligible for assistance to attend trade shows.

You'll find well-known homegrown companies such as Chugwater Chili, based in Chugwater, Wyoming, and sold throughout many venues, and Coal Creek Coffee in Laramie, plus makers of soy candles, bison jerky, natural soaps, furniture, clothes, etc. The Wyoming Business Council organizes the program.

SECTION 6. SELLING WHOLESALE: BRINGING A FOOD PRODUCT TO MARKET[13]

"The big secret in life is that there is no big secret. Whatever your goal, you can get there if you're willing to work." —Oprah Winfrey, American talk show host, actress, producer, media executive, entrepreneur, and philanthropist.

[13] With thanks to Seaton and Jill Smith.

The biggest issues facing emerging food brands tend to be funding, cash flow, and underestimating the challenge of distribution.

Distributing your product is about choosing a cost-effective way to get it to the customer. All businesses rely on some form of distribution network to sell and deliver their products, either taking care of it themselves, or working with an intermediary, or a combination.

Selling into wholesale markets presents a completely new set of opportunities and challenges compared to direct marketing or selling on an open market at a fixed price. This bulletin aims to increase your knowledge about using wholesale sales.

WHOLESALING

Wholesaling is a distributive link between the producer and the reseller or business user. At the beginning of the supply chain, producers (also known as sellers; and manufacturers) develop and produce a product, and at the end, retailers sell them to end users. In between are operators who purchase goods from manufacturers, then move those goods from their warehouses to companies that either want to resell the products to end users, such as retailers and grocery stores, or use them in their own operations. They buy in large lots and break the bulk into smaller quantities.

The U.S. Department of Labor has described wholesalers this way:

> They provide businesses a nearby source of goods made by many different manufacturers; they provide manufacturers with a manageable number of customers, while allowing their products to reach a large number of users; and they allow manufacturers, businesses, institutions, and governments to devote minimal time and resources to transactions by taking on some sales and marketing functions—such as customer service, sales contact, order processing, and technical support—that manufacturers otherwise would have to perform. (*Career Guide to Industries*, 2008–09. January 2008. U.S. Department of Labor. Bulletin 2701. P. 116.)

Wholesale markets in the U.S. account for nearly all food purchases. Even locally grown fresh produce, although typically associated with direct markets, is sold through wholesale channels and available at restaurants and grocery retail outlets. Wholesale markets actually account for the majority of local produce revenues, but are supplied primarily by larger farms (those grossing more than $250,000 annually). A challenge for growers, however, can be meeting quality and food safety requirements (Food Safety Modernization Act requirements, or certifications such as for Good Agricultural Practices (GAPs). Wholesale markets are attractive to producers due to lower marketing costs, transparent pricing, and less expected risk overall.

Through economies of scale, larger growers are able to provide quantities and pricing suitable for wholesalers looking to fill large grocery store and dining establishment orders.

A significant challenge for a small business is to gain entrance into the traditional distribution channels. There can be numerous layers of intermediaries involved, and each will expect to be paid. Thus, producers may try to bypass the traditional networks in favor of other methods such as online sales, mail order, direct retail (in which you have your own store), and so on.

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Figure ?. Typical distribution channels

If you want to sell a product in stores across a region, however, then you might work with a few distributors having access to retailers, which would then save the effort of contacting individual retailers and delivering each order (a key function of the wholesaler is to manage inventory—being responsive to their customers' orders).

The major complaints against intermediaries in the distribution chain are that they do not aggressively promote the products (and instead just take orders); that they don't keep the manufacturer updated with market information; and that they charge too much for their services. Let's take a look in more detail at the structure of the wholesaling system.

TYPES OF INTERMEDIARIES

A few broad types of operations often perform the functions of wholesale trade: wholesale distributors, agents, brokers, and retailers. Briefly, here is who might be involved.

Wholesale distributors buy bulk merchandise and sell in smaller quantities to other wholesalers or retailers, or sometimes directly to the final customer. They take title to the product and are responsible for storing, physically handling and repackaging products. They may also be called distributors, jobbers, supply houses, assemblers, importers, or exporters.

Agents are independent middlemen who charge a commission to facilitate sales between manufacturers and their final customers. They typically represent non-competing products and do not take title to the products: they just represent businesses and their products. Agents represent buyers and sellers on a permanent basis.
Brokers are independent middlemen who charge a commission and facilitate sales and, like agents, do not take title to the products they broker. Brokers represent buyers and sellers on a temporary basis.
Retailers buy products from manufacturers, distributors, and wholesalers, then sell to the end consumer.

Agents and brokers can be a good replacement/supplement for your own in-house marketing efforts since they can professionally present a line of goods on your behalf, are skilled socially to bargain and make connections, can coordinate in-store promotions, and can share their knowledge of the industry. These intermediaries are popular with producers with limited capital who cannot afford to maintain their own sales forces.

SELECTING DISTRIBUTION CHANNELS

Few businesses have the time, money, or expertise to deliver products directly to their customers, so by hiring professional distributors, they might be able to enter new markets more easily. But given the variety of options in the channel, which ones should you explore?

A useful exercise is to work backward from what the final buyer wants, and then determine the best way to reach them.

Influences on the Marketing Plan

Selecting a distribution channel is one of the core parts of a marketing plan, along with decisions on pricing, promotion, and product characteristics. Overall, marketing strategy encompasses selecting and analyzing the *target market(s)* and creating and maintaining an

appropriate *marketing mix* that satisfies the target market and company. Your marketing strategy will take the form of a plan for the best use of the organization's resources and appropriate tactics to meet its objectives.

Influences on the channel selection will fall into a few broad areas.

1. **Organizational Goals.** Companies with wide product mixes can sell more directly to the retailers, and have more promotional skills to bring to bear in product promotion. You will want your objectives to be in line with the resources and capabilities that you have or can get.
2. **Market Characteristics.** Geography (greater distances may require more intermediaries), market density, clustering, market size, buyer behavior (where and how is the product purchased), etc., will all influence the channel (and which intermediaries you select within the channel). .
3. **Product Attributes.** Perishable products requiring short channels, storage requirements, space, fashion, size (to reduce handling), complexity, and standardization are all components to be considered.
4. **Environmental Forces**. Factors that impact the businesses come in the form of *internal* forces (those inside the business and over which we have much control, such as organizational culture, leadership, and manufacturing (quality); and those *external* to the business (those we have no control over, and, therefore, must be responded to, such as competitors, the social environment, political conditions, government regulations and policies, interest rates, accounting practices, and technology).

Deciding on Wholesaling

Newcomers often find the convoluted nature of multi-tiered distribution channels to be extremely confusing and stressful. Distributors may dictate terms, like delivery location and times, and promotions, and vary in their buying policies and business procedures. And the language used by those in the business is full of acronyms and jargon, which further confuses a new producer (which is why a brief glossary of terms is provided at the end of this document). It all leaves the producer feeling confused and powerless, and wondering whether intermediaries are worth it.

Despite the negative perceptions and having to sell at lower prices, distributors are a way for a producer to sell large quantities of product to many wholesale customers. In addition, distributors serve the role of sales and delivery, which are time consuming activities for the producer.

Many people wonder, do wholesalers add value? The answer is not clear—in other words, perhaps. Some research suggests that the structure is ineffective; other research has found it efficient. It may depend on the industry. From the perspective of a new venture trying to gain distribution, there are certainly concerns with wholesale selling. The maze of wholesalers needs to be navigated. The distribution system is also perceived as a root cause of the market penetration problem that companies face when trying to enter a new market.

Of course, a small business producer might attempt to overcome the obstacles of the traditional food distribution system by attempting to bypass wholesalers. They may look beyond such strategies as working with brokers and wholesalers to strategies like partnering with other producers or forming a joint venture to shift the difficulties to someone better suited to deal with them, or only selling to local retailers, or perhaps independent retailers.

Once the decision has been made to explore the wholesale chain, your efforts will shift to learning how it functions and how to penetrate it.

Requirements for Selling to Grocery Wholesalers

- Follow food safety procedures, including necessary recordkeeping.
- Provide the wholesale buyers with the large quantities they may require.
- Produce a consistent supply.

- Build relationships with wholesale buyers, and stay in touch regularly to communicate issues such as timing, quantity, price, quality, etc.

ADDING UP THE COSTS

The craftsmanship, time, creativity, and quality of your products should all be taken into the price you set—as should the costs of getting your product into the hands of consumers. The production costs set the minimum price; the perceived value of the product sets the maximum price.

The Formula

As a producer selling into a wholesale market, there are many things to pay for, including branding, supplies, marketing, tradeshows, labor, equipment, raw materials, and shipping. The rule of thumb is to take your production cost multiplied by two. This will give you your wholesale price.

What's in a product's cost? Production costs should include the cost of everything it takes to make your product from start to finish: research and reference materials, labor and supplies, etc. Draw on the information in the financial statements (primarily the income statement) to calculate the cost of production. With a reliable number in hand, you should be able to calculate profit margins for each potential distribution channel and negotiate contracts that are to your advantage.

Profit Margins and Channels

Wholesalers usually markup the cost of goods by a conventional percentage, say 20%, to cover their expenses. Their expenses may run 18% of the gross margin in grocery wholesaling, and they would keep the remainder.

Let's say a product's retail price is $10. To support retailers who use "keystone" pricing (doubling the wholesale price to arrive at the price they will charge customers) and avoid channel conflicts, the wholesale price will probably be between $5 and $5.50 per unit. Distributors will take 25% off this price, requiring the producer to sell it to them at between $3.75 and $4.10.

Between ingredient costs for specialty foods and the cost of trained labor, $3.75 per unit may not leave much (if any) margin for the producer.

Distributors serve the combined role of functioning as a local warehouse and as sales and marketing for products. Some producers who don't understand the value of distributors might complain about distributors being "fulfillment" and not really a sales force. In truth, distributors also negotiate discounts, promotion plans, etc., with producers in a way that wouldn't be efficient for individual retailers, and they're more sophisticated about these temporary price reductions (TPRs) than smaller producers typically are.

Note that using too many intermediaries will cause you to end up setting your price above what end customers are willing to pay.

Be aware of the timeline for wholesale ordering and when distributers want to take delivery. For some industries the timeline can be quite long. With women's apparel, for instance, sellers place their orders for products three to six months prior to the date they want a manufacturer's products in their store. Fashion companies may be delivering products for fall during the summer from sales they made the previous October and November.

Getting the Most from an Agent or Broker
Many small business producers feel swamped in running their operations that might welcome the opportunity to have a broker "do all that sales stuff." A talented and committed wholesale broker can generate new sales for you by providing access to the right market for clients, as well as providing experience, service, and relationships that can help you navigate wholesaling. So view them as a partner, and actively work with them through the sales process.

That said, brokers, which are paid from a commission on sales but also a monthly retainer (perhaps 5% plus $500 to $5,000 per month retainer (which does not cover promoting the product at shows and conventions, or freight to distributor.)), may not pursue sales as aggressively as you'd prefer, especially if you are not a particularly large account to them. To get the most from your current broker, require regular reports from them in which they report 1) Who they called on, and 2) How they got the contact.

And if the relationship with a representative isn't going well, you can replace a poor one (broker, distributer, agent, etc.) with another one.

Shipping

For direct sales, shipping cost is usually paid by the buyer for small orders, but free for larger orders, with the buyer taking ownership at their dock, known as "FOB destination" (freight on board). Although you could take the approach of hiding the shipping cost in "delivered pricing," in which there is no specific charge for shipping; typically, delivered prices come with larger minimum order sizes, making this analogous to free shipping with a minimum order.

Your pricing will likely vary by how much you ship. If you are shipping a single pallet, the price per product unit will be more than if you are filling a half truck (or less-than-truckload), or a full truck (you would charge a distributor's price—probably your lowest possible price—for the last).

As with shipping any package, the actual shipping charges will be a factor of both weight and volume. Naturally, you would like to make the most of the shipping volume—if you're paying for a truckload you will pay for the whole truck, full or not.

Marketing Expenses

The actual cost of the distribution channel (commissions, retainers, markup, etc.) are not the only expenses associated with distribution. There are other expenses to consider:

- **Events.** Plan on attending conferences, trade shows, conventions, and other events that bring wholesalers and retailers together. Expenses will include travel, meals, hotel, registration, marketing materials to distribute at the event, and perhaps booth space for a tabletop display. Large distributors will sell tabletops at their internal trade shows, which enables buyers to order/purchase immediately. Trade shows can be excellent exposure to buyers, and they can certainly be informative to new producers, but be sure the cost of participating (certainly buying a tabletop) is built into the product's margins. Estimate $1,500 to $4,000 per event.
- **Shrink.** Plan on a reduction in inventory due to damaged goods, shoplifting, misplaced goods, employee theft, cashier error to the customer's favor, paperwork errors, perishable goods that have exceeded their life, or other errors. You will have no control over most of these things, but they will cost you lost revenue. Estimate at 2% of sales.
- **Distributor advertising programs.** As a seller, you could be required to run multiple ads per year in a distributor's catalog, coupled with a requirement of offering a discount to stores for the duration of the ad run. An "ad program" investment may have significant advertising costs beyond the expense of the discount.
- **Marketing and signage.** Plan to have advertising for your product. Estimate at $1,200 per year.
- **Slotting fee (or slotting allowance).** Grocery stores may charge a one-time fee as a condition before putting a new product on their shelves, in large part to reduce the risk associated with offering a new product that may fail. The amount varies.
- **Temporary price reductions**. TPRs enable distributors to move product faster. For example, to secure end cap product placement in a store, sellers provide temporary price discounts to move high

volume. Estimate at 115% for four sales a year.

- **Floor displays**. Retail stores often put a product-filled display in the aisles to attract attention to a product. It will be displayed until mostly empty, then put into their trash compactor. Someone from the store might assemble and stock the display, or you might pay a company to build, fill, and supply the display.

Price Discounting (off list prices)

One of the easiest ways to increase sales and perhaps boost profit, used by various traders, businessman, and shopkeepers around the world, is to offer a discount. It is simply a reduction in the selling price of the goods, which may attract customers and persuade vendors to make more sales. There are numerous kinds of discounts:

- *Trade*, given by a producer to an intermediary for (in terms of a percentage off list [recommended retail] prices);
- *Quantity*, reducing the cost per item with the purchase of larger volumes of product;
- *Cash*, an incentive for prompt payment, an example would be 2/10 net 30, meaning 2% discount allowed if payment is made within 10 days, entire balance is due within 30 days, no discount, after that interest will be charged;
- *Seasonal*, purchase out of season;
- *Allowances*, trade in allowances, price reductions granted for turning in a used item when purchasing a new one.

CERTIFICATIONS

In the marketplace, producers of consumer (and industrial) products seek ways to be distinct. The features of their products create a benefit for the consumer over the other goods offered; thus, they hope to be preferred over the competition. Some ways of being distinct are visually or measurably identifiable; some are implied cosmetically or through marketing. And, increasingly, reference to unseen attributes, such as how a product was raised, produced, or handled, can be a competitive advantage.

Certifications are a good way to communicate a quality product. They show that their products are sourced or produced in certain ways. They might even be a requirement on the part of either the retailer or wholesaler (in which case certification is part of the cost of being in business).

Within food manufacturing, certification requirements vary. Local food coops will vary by store and may vary by product; some stores prefer certified organic, for example. Grocery stores will vary by chain; food safety certification requirements continue to increase. Food distributors and wholesalers will vary by product; GAP and third-party food safety certification requirements are common.

Common certifications include:

- **FSMA.** The Food Safety Modernization Act (2010) gives the FDA powers to regulate the way foods are grown, harvested, and processed, with the main aim of reducing food-borne illnesses.
- **HACCP.** Hazard Analysis and Critical Control Points is a system of measures that focus on preventing hazards that could cause food-borne illnesses by applying science-based controls, from raw material to finished products. The traditional approach of spot checks or random samples of end products didn't provide enough protection, so the industry moved to create a proactive system to reduce risk at important points in procession as a way to protect food (and now other products) from biological, chemical, and physical hazards. A different HACCP plan will be needed for each food product, each processing method, and each facility if the processing raises unique or individualized risks.
- **SQF and BRC**. The Global Food Safety Initiative (GFSI) is an international non-profit that provides certification to food companies, an area of especial importance as businesses prepare for many components of the Food Safety Modernization Act. Under the GFSI umbrella, the most popular standards are Safe Quality Food (SQF) and the British Retail Consortium (BRC) Food Standard. Certification to both standards

offers various levels of food quality as well as safety requirements. The BRC food standard uses the same framework as HACCP.

- **Local health inspections**. The Consumer Health Services division of the Wyoming Department of Agriculture oversees the safety of the state's food supply. The division issues the license required of processing facilities before producing food products for retail or wholesale.

Certification requires that companies plan ahead for appropriate time, budget, and resources. A small business might easily spend months analyzing and revising its procedures for creating a product—involving significant staff hours and perhaps outside consultants—prior to undertaking something like an SQF pre-assessment audit. Months after that, a certification audit would began with a documentation review (aka "desk audit"), followed later by the facility review—a walk-through of a processing plant. The facility itself might require upgrades to meet SQF specifications, requiring a budget allocation.

Customers attach value to a product in proportion to its perceived ability to help solve their problems or meet their needs. In food manufacturing, the end consumer as well as the intermediaries are looking for assurances of things that they value, which makes what you put on the label important.

YOUR PRODUCT

To be attractive to end customers, your product needs to have one (or several) points that differentiate it from the many other products it will compete with.

A competitive analysis of who is already in the marketplace will help identify gaps in the market you might be able to profit from. How can your product be different? Look for a genuine gap in the market. It doesn't have to be a whole new category; it is possible to spot a gap in an existing category that is in need of reinvigoration. Identify on what points your product can stand out—whether it is sustainability, a particularly desirable price point, or a relatable story.

But don't forget the basics. A good product matters more than anything. Repeat purchases are essential for growing your business, so make sure your product is great.

Drill it down to the message. What is the buzz about your product? If a customer can't tell what is special about a product in five seconds, it is too complicated.

But try to stay connected to reality. One first-time entrepreneur noted, "I think the reality is that a good product isn't enough to guarantee success. You need to have a product that people want to buy. It sounds nuts, but a lot of people have a product that they love, they are passionate about, they have made in their family for generations; but it isn't a commercial proposition."

WORKING WITH INTERMEDIARIES

In most cases, choosing which distributor to work with usually happens as a result of getting accepted to a store. Once the store buyer accepts products, they inform the sellers about which distributor they use, or give them a list of approved distributors that they work with.

- Market needs and preferences;
- The cost of channel service provision;
- Incentives for channel members and methods of payment;
- The size of the end market to be served;
- Product characteristics required, complexity of product, price, perishability, packaging;
- Middlemen characteristics—whether they will push products or be passive;
- Market and channel concentration and organization;
- Appropriate contractual agreements; and
- Degree of control.

Read the contracts very carefully

Small, innocuous terms in the distributor contracts can make a huge difference in the

outcome of the relationship. We previously discussed paying for ads in a distributor's catalog, booths at shows, and in-store promotions.

Chargebacks

Distributors will offer percentages off to buyers and give away samples without warning, which add up quickly. Careful tracking is critical to minimize loss—a seller may lose 18% to a large distributor on chargebacks and, therefore, real distributor pricing nets to negative 18% what was actually initially charged.

Product Returns

Returns happen for a number of reasons:

1. Some large distributors require a minimum shelf life to remain for the products to stay in their warehouse. The distributor contract may include this shelf life requirement, e.g., "We require 50% of max shelf life." For example, if a product has a 24-month shelf life and only has 10 months of shelf life remaining, the distributor will return the product.
2. One way to avoid half-expired product returns is to offer the distributor a discount on the products so they move before the minimum shelf life expiration date. Some distributors purposely overstock products to hit the expiration threshold and can subsequently demand a discount.
3. Occasionally, distributors return products simply because they are not moving. This lack of movement may indicate pricing is not optimal, insufficient awareness of the product, etc. If this happens too often, reexamine pricing and marketing strategies, or revisit the product itself.

Carefully read distributor contracts to see if you're agreeing to be charged for expired, damaged, or sampled product—if possible, negotiate a maximum allowance (%) for these things.

FINAL THOUGHT

Selling food through wholesale channels provides producers a chance to reach new markets and an expanded customer base, but there are also legal, safety, and financial parameters that producers need to understand before choosing this marketing option. So carefully consider what you are looking for and for what your enterprise is best suited.

FURTHER READING

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WHOLESALING GLOSSARY

Advertising: Use of paid media to generate awareness of a product or service, establish an image, and stimulate purchase intention.

Agent: Someone who is between a buyer and a seller, who doesn't take ownership of the goods but gets a commission to have introduced parties.

Agents and broker: Wholesale operators who buy or sell as representatives of others for a

commission and who usually do not store or physically handle products.

Bill of lading: A record required by distribution centers containing number of cartons, weight, and details of your shipment.

Bill-backs or charge-backs (and bill-back allowance and charge-back allowance) : Type of discount where a sales channel (typically a distributor or large buyer) is permitted to pay less than the invoiced amount, based on various problems, such as spoilage. An allowance is a pre-agreed maximum (typically, as a percentage) amount the channel is allowed to charge-back.

Brand loyalty: Advertising buzz-word for the outdated theory that consumers are "loyal" to a particular brand. It is now generally believed that modern consumers have a mental "menu of acceptable brands."

Brand name: Protected, proprietary trademark of a manufacturer of consumer goods/services.

Broker Independent: A company that or individual who sells products of multiple manufacturers, usually on straight commission. Brokers manage both individual accounts as well as distributors on behalf of a manufacturer. Note that some brokers have a primary manufacturer and, therefore, behave more like a manufacturer's rep.

Buy-back allowance: Discount based on amount remaining from previous deal purchase.

Buy one, get one free: BOGO is a common form of sales promotion for 'buy one, get one free'. While not often presented to customers in acronym form, this marketing technique is universally known in the marketing industry as BOGO.

Cash on delivery: COD is a type of transaction in which the recipient makes payment for a good at the time of delivery. It allows the purchaser to pay at the time of delivery instead of having to pay upfront.

Chargebacks: A return of funds to another company. When a company issues a chargeback, they are requesting payment from you. They often occur when the supplier sells a product at a higher price to the distributor than the price they have set with the end user. The distributor then submits a chargeback to the supplier so they can recover the money lost in the transaction.

Distributor Independent: Company that purchases and warehouses products from manufacturers and then sells and delivers to its wholesale buyers. Purchases product from manufacturers at typically 25% off the wholesale price

Drop ship: Retail fulfillment method in which a retailer does not keep the products it sells in stock. They order just what they need when they have a buyer for it. The manufacturer usually ships directly to the end consumer.

End cap: In retail marketing, a display for a product placed at the end of an aisle.

Entrepreneur: Someone who organizes, operates, and takes the risk in a business venture, expecting to gain a profit. The word "entrepreneur" comes from the French word "entreprende," which means "to undertake."

Free fill: Type of promo where free product is given to a wholesale customer, without any payment received, typically for an opening order. The rationale is that the retailer is excited about a product, but cannot accept the risk of the product not selling. The vendor accepts the risk that the retailer does not reorder. BOGO and consignment may be ways to address these issues.

Freight on board: Buyer arranges pickup at seller's warehouse. For example, "FOB Denver" would mean that the buyer is expected to pickup from a Denver, Colorado, warehouse.

General-line wholesale merchants: Those who handle a broad line of dry groceries, health and beauty aids, and household products.

Gross margin: Retailer markup (over cost) as a percentage of total sales.

Gross sales: Price × quantity.

GS1 standards: A shared language that businesses use to sell, grow, remain competitive, and even reinvent themselves (see **www.gs1us.org).**

Jobber: Person who buys finished goods, either closeouts or regular price, and then resells them.

Keystone pricing: When a retailer determines the consumer price by doubling the wholesale price. For example, the cost is $10, wholesale for $20, retail for $40.

Limited-line wholesale merchants: Merchants who handle a narrow range of dry groceries dominated by canned foods, coffee, spices, bread, and soft drinks.

Linesheet: Descriptive and informative presentation on paper that describes a product.

Manufacturer: Person or company who buys materials, raw materials, or components and transforms them into a sellable product.

Manufacturer chargeback: Type of distributor discount where the distributor gets a chargeback credit when their customers purchase within the given time period.

Manufacturer trade promotions: Special incentives directed toward other members of the distribution channel.

Manufacturer's representative: Someone who handles sales for a manufacturer, often storing merchandise but not taking ownership of it. Ownership of inventory is the primary difference between a distributor and a manufacturer's rep.

Marketing mix: Set of actions, or tactics, that a company uses to promote its brand or product in the market. The 4 Ps that make up a typical marketing mix are product, price, promotion, and place.

Merchant wholesalers: Operators of firms primarily engaged in buying and selling groceries and grocery products on their own account.

Minimum order: Lowest order amount acceptable to a vendor for an overall order.

Net 30: Type of trade credit in which payment is due in full 30 days after the item is purchased.

Net returns: These are calculated as gross sales less labor and travel.

Off invoice: Type of distributor discount given to the distributor on its purchases within a given time period, even if its customers purchase later.

Overhead costs: These are the costs that aren't tied directly to producing your product. These might include rent, insurance, utilities, loan repayment(s), Internet connection, phone bill, advertising expenses, wages, employee benefits, etc.

Pallet: a wooden or plastic base with openings for a fork lift that is used for handling large loads.

Point of purchase display: A POP display holds a number of units (typically one case) of product. Often, the cardboard used in a case of product opens, cuts, and/or folds to create the POP display.

Prepack: Assortment of merchandise packed in certain quantities and colors.

Private label: Designating a product manufactured or packaged for sale under the name of the retailer rather than that of the manufacturer.

Product IDs, item codes, UPC: These are various ways to uniquely identify a product using a short hand that's faster and easier to enter than the full name. Typically, the UPC (short for Universal Product Code) is the worldwide unique code used for bar code scanning devices. Some manufacturers will fail to register UPC codes with the global database (usually because of cost) and sometimes reuse the same UPC for multiple products. In addition, most manufacturers assign a "producer product ID" of their own, and most middlemen also assign unique codes.

Profit: Advantage or benefit derived from an activity. A profit in financial terms is the difference between the amount earned and the amount spent in buying, operating, or producing something.

Specialty wholesale merchants: Those who handle perishables such as frozen foods, dairy products, poultry, meat, fish, fruit, vegetables, and herbs.

Target market: Group of persons/companies for whom a firm creates and maintains a Marketing Mix that specifically fits the needs and preferences of that group.

Temporary price reduction or promo or discount TPR. This is usually offered by manufacturers to wholesale buyers on a quarterly basis or twice a year. By giving the wholesale buyers a discount, buyers are encouraged to stock up on products, bring in new products, and also pass on the savings

to the retail consumer (this helps stimulate sell through of the product as well).

Wholesaler: Operators of firms engaged in the purchase, assembly, transportation, storage, and distribution of groceries and food products for resale by retailers; institutions; and business, industrial, and commercial users.

Wholesale channels typically require the ability to move large quantities of produce quickly and usually (but not always), at a lower price than through direct channels. Wholesale marketing channels include selling to restaurants, grocery stores, and other retailers (without the use of a broker or distributor), distributors, produce auctions, processors, and produce brokers.

While direct channels often feature higher prices as compared to wholesale, they also require more producer-customer interaction, and additional time and skill requirements of the producer.

Warehouse club: Hybrid wholesale-retail establishments that sell food, appliances, hardware, office supplies, and similar products to its individual and small-business members at prices slightly above wholesale.

Source:
HTTP://WWW.BBFDIRECT.COM/F/T/BBF-WHOLESALE-GLOSSARY-INDUSTRY-TRADE--YOQC

SECTION 7. RUNNING A BUSINESS

"I'm convinced that about half of what separates successful entrepreneurs from the non-successful one is pure perseverance." —Steve Jobs, the late American business magnate and entrepreneur who co-founded Apple Inc.

Running a small business often requires that you become a jack-of-all-trades; therefore, it is important to know early on the skills that you have and those that you will either have to learn or delegate to others. Key business skills to consider include:

- **Financial Management.** Which records to keep, how to keep them, and how to file them? Where to find financing and how to manage it once you've sourced it?
- **People Management**. Hiring your first employee and subsequent employees, and how to manage them.

Sometimes you see the belief that, if you build a product that's good enough, you'll win.
But products don't win. Businesses do. To beat the competition, you'll have to out-market them, out-support them, and outperform them in many other ways other than having a good product.

FINANCIAL MANAGEMENT[14]

Ensuring profitability is probably one of the most important tasks of every venture owner. Being profitable means that the operation is generating enough money to pay employees and bills, repay loans, and provide the owner with enough earnings to make a living or to adequately support earnings from another job or endeavor.

Many food entrepreneurs and specialty crop farmers are satisfied with their business systems, but surveys show that they tend to be concerned about the financial health and sustainability of their businesses.

A good understanding of the financial aspects of a business can help make sure that assets are being used efficiently. In other words, to improve profit, it must first be measured.

The objective to achieve this goal is to create financial statements and measure a venture's financial position. Then entrepreneurs can compare their performance over time to make adjustments. Are net profits increasing or decreasing over time? How do net profits of field-grown produce compare to those of high tunnel-grown produce, compared to hydroponic-grown produce?

Assessing Profitability

The overriding equation to find net profit is simple enough:

Net profits = revenue – costs

Revenue = price × quantity

Costs = variable costs + fixed costs

Costs can be categorized as *variable* and *fixed***.**
Variable costs (or operating costs) are those that vary with the level of production; farmers do not incur variable costs if production stops. Examples of variable costs for a crop are the payments for labor, seed, fertilizer, mulch, irrigation, fuel, and other inputs. Labor costs tend to be the highest input category of costs for specialty crop operations. According to the USDA, "Wages, salaries, and contract labor expenses represent roughly 17% of total variable farm costs and as much as 40% of costs in labor-intensive crops such as fruit, vegetables, and nursery products."

Fixed costs are those that farmers have to incur whether they are producing or not. Fixed costs are usually payments made to capital assets such as equipment, land, buildings, and machinery. For example, if a farmer buys a tractor, she or he will have to make payments whether tomatoes were harvested or not. Other examples of fixed costs are depreciation, insurance, taxes on property, and repairs and maintenance.

Farm revenue is the quantity of produce sold multiplied by the prices received. To accurately

[14] This section was written in partnership with the Rural Law Center at the College of Law at the University of Wyoming.

quantify farm revenue, for example, sales must be tracked throughout a growing season. The revenue of a farm selling 400 pounds of heirloom tomatoes from May through September at a price of $2.50 per pound will be $1,000. Net profits are equal to the total revenues received throughout the growing season minus variable and fixed costs incurred over the same period. In addition, farmers can calculate gross profit by the variable costs from the total revenues. Gross profit is useful for measuring the efficiency to cover all the costs related to production. Gross profits do not equal farm [net] profits as they do not include fixed or asset costs, but they provide valuable information on the efficiency of a specific crop or enterprise. Gross and net profits are useful indicators of farm financial health and its ability to generate enough cash to meet obligations.

Gross profit = revenue – variable costs

While farmers are more likely to have control over production yield and variable and fixed costs (internal factors), market prices (an external factor) may be one of the least controlled variables in the net profit equation. Prices depend on the market characteristics, market demand, competition, consumer perceptions, and produce characteristics.

Accounting for Profit

Accounting is a general term that refers to the procedures used to track a business's income and expenses. The data collected helps answer questions about the fiscal status of a business.

You will want a system that provides enough flexibility to attribute revenue and income to individual crops (or products, if you're not farming). Look at each enterprise as a separate profit center so you can determine which enterprise contributes to the overall profitability of the farm and which does not.

Some small businesses rely on manual bookkeeping systems, such as a checkbook and shoebox of receipts. While the checkbook/shoebox method may be more familiar, it is subject to mathematical error and requires hand manipulation of the numbers to manually generate reports (a significant investment of time, and one that makes scenario planning more difficult).

Of course, many small businesses purchase accounting software. Provided that information is entered correctly and promptly, software provides up-to-the-minute information and often offers reporting capabilities that can be customized for specific information needs.

Accounting Methods

Accrual accounting is defined as "[a]n accounting method that records entries of debits and credits when the revenue or liability arises, rather than when the income is received or an expense is paid (Gamer, 2014). paid."[15] Accounting entries, therefore, are done when revenue and expenses are earned or obligated as opposed to paid. A cash basis method "considers only cash actually received as income and cash actually paid out as an expense (Gamer, 2014). expense."[16] The definitions provide that cash accounting is true to its name. No entries are made unless cash (or check) is exchanged. This method is simple to use, though it can be problematic when trying to paint an accurate picture of when periodic revenue and expenses actually occurred; however, accrual accounting does require some adjustments in recording tax returns (Miller et al.), returns.[17] Both methods have positives and negatives, but the key takeaway is that a farmer and other business owners must be consistent and understand the impact of entry timing when reading financials.

Financial Reports

[15] Black's Law Dictionary (10th ed. 2014), accounting method, accrual accounting method

[16] Black's Law Dictionary (10th ed. 2014), accounting method, cash-basis accounting method

[17] See, Alan Miller, et al., *Is Your Farm Business Accurately Measuring Profitability: A checklist for Building Complete, Accurate and Consistent Financial Statements,* Univ. of Purdue Center for Food and Agricultural Business, pg 4

Four reports (from Edwards, 2017) can be used to give an accurate depiction of farm operations. These include:

- **Net Income Statement**. Summarizes the income generated, the expenses incurred, and the net income earned by the business during a period of time.
- **Net Worth Statement**. A balance sheet that summarizes the property and financial assets, debts, and net worth of the business at a point in time.
- **Statement of Owner Equity**. Shows how net worth changed from the beginning to the end of the year.
- **Statement of Cash Flows**. Summarizes all the sources and uses of cash by the business during a period of time. [18]

These reports are typically integrated into available accounting software such as *Quickbooks*, *Quicken*, or *Peachtree* programs. A brief understanding of how the statements interact with each other is beneficial. The *income statement* shows revenue and expenses, while the net worth statement displays current asset, liability, and equity values. The income statement tracks over periods of time by accumulating transactions over a given period, typically monthly and annually. In contrast, a *balance sheet* is a snap shot in time meaning that it gives values on a specific date. Both of these statements provide inputs to the statement of cash flows as cash used or provided to accounts associated with each report. The *statement of owner equity* is the report that links the balance sheet with the income statement. The link incorporates the net income calculated under the income statement into the equity portion of the balance sheet.[19] The main point to remember is that these reports should not be viewed in isolation, but taken together. They are interrelated: a change in one affects the others.

Income Statement

The income statement shows expected revenues, expenses, and profit for each year of operation. Revenues increase owner's equity. Expenses decrease owner's equity. Profit occurs when revenues exceed expenses, producing a net increase in owner's equity for an accounting period.

Net cash flow and profit are fundamentally quite different. Cash is necessary to pay the bills, but profit is necessary if your business is ultimately going to generate money to repay debt and to pay a return to yourself (the owner) and others. The fact that a business is temporarily awash in cash is not proof that it is profitable. Nor is the fact that a business is temporarily short of cash proof that the business is not profitable. Cash flow and profitability are both important to a business.

Balance Sheet

The balance sheet shows financial position as of a particular future date by listing the expected value of your venture's assets, liabilities, and owner's equity on that date. If the forecasted statement of cash flows reports that the cash provided by operating, financing, and investing activities is expected to exceed the cash used by such activities, the cash balance reported on the ending balance sheet will increase by a corresponding amount. If the forecasted income statement reports that the business is expected to be profitable, then the owner's equity reported on the ending balance sheet will increase by a corresponding amount unless the owner withdraws that profit before the ending balance sheet date.

The balance sheet summarizes the financial strength of your business at a stated point in time. It lists the assets and liabilities of your company and shows your equity. Owners' equity

[18] Source: William Edwards, *Farm Financial Statements,* Iowa State University Extension and Outreach, available at: https://www.extension.iastate.edu/agdm/wholefarm/html/c3-56.html

[19] For a good overview see, Investopedia, *The Relationship Between Financial Statements,* available at*:* http://www.investopedia.com/walkthrough/corporate-finance/2/relationship-financial-statement/relationship.aspx

equals the difference between assets and liabilities. Thus, it will help determine your financial condition at a given point in time. Many businesses do their financial reporting on a calendar year basis so their balance sheet date is December 31 of each year.

Classified balance sheets separate assets and liabilities into current and noncurrent classes. The noncurrent assets consist primarily of assets that are used to operate the business, such as land, buildings, and equipment. Current assets are cash and other assets that will be converted to cash as part of normal operations during the next year. The most common current assets include:

- Cash
- Accounts receivable
- Inventory
- Prepaid expenses

Liabilities are classified in a similar fashion as either current or noncurrent liabilities. Current liabilities are those enforceable obligations to pay that will be paid during the next year. Noncurrent liabilities are debts and other enforceable obligations to pay over a period of more than one year. Both your assets and liabilities should reflect your intended production capacity. If unsure of what assets you might require and their cost, then conduct research to find out.

The final lines on the balance sheet track the business' equity account, that portion of the business' assets owned by investors in the business. The two main sources of equity that will be reported in the owners' equity section of the balance sheet are: (1) contributed/paid-in capital; and (2) retained earnings. If any noncurrent assets are reported in the balance sheet at fair market value, then a third source of equity called "valuation equity" will need to be reported.

LINE ITEM	CONTENTS
ASSETS ***CURRENT ASSETS*** -CASH -INVENTORY -ACCOUNT RECEIVABLE -PREPAID EXPENSES -OTHER ***LONG-TERM ASSETS*** -MACHINERY / EQUIPMENT -VEHICLES -REAL ESTATE OWNED BY THE FARM -BUILDINGS & IMPROVEMENTS	***USUALLY NON-DEPRECIABLE*** -BANK ACCOUNT BALANCE -UNSOLD FARM PRODUCTS / SUPPLIES -MONEY OTHER PEOPLE OWE FOR PURCHASES -BILLS YOU HAVE PREPAID (I.E., INSURANCE) -OTHER ASSETS SUCH AS A LOAN YOU'VE MADE ***LIKELY CAN DEPRECIATE*** -ITEMS USED TO PLANT AND HARVEST CROP -FARM VEHICLES -LAND IS TYPICALLY NOT DEPRECIABLE -THE ABILITY TO DEPRECIATE DEPENDS ON USE.
LIABILITIES ***CURRENT LIABILITIES*** -ACCOUNTS PAYABLE -LINE OF CREDIT / SHORT-TERM LOANS	***DEBTS DUE WITHIN ONE YEAR*** -BILLS THAT YOU OWE -SMALL, SHORT-TERM LOANS YOU OBTAIN -INTEREST ON DEBT YOU OWE AND ACCRUE

-ACCRUED INTEREST (UNDER ACCRUAL ACCT.) *LONG-TERM LIABILITIES* -EQUIPMENT/MACHINERY/VEHICLE DEBT -MORTGAGE OR FARM LOAN	*DEBTS DUE PAST ONE YEAR* -LONG-TERM FINANCING -USUALLY FARM ACQUISITION COSTS
EQUITY *CONTRIBUTED CAPITAL* *RETAINED EARNINGS*	*-MONEY YOU PAID INTO THE BUSINESS THAT IS NOT A LOAN (LIKE STOCK IN THE COMPANY).* *-NET INCOME YOU HAVE MADE AND LEFT INSIDE THE COMPANY. THIS IS WHERE THE BALANCE SHEET TIES TO THE INCOME STATEMENT.*

Statement of Changes in Owner's Equity

An owner can include market valuation changes under this section if the accounting program has been setup to perform such functions. This adjusts the equity by providing a change in the valuation of assets and liabilities due to market forces; however, market valuation accounting may be overly advanced for a beginning farmer.

The final statement is merely a breakdown of the sources and uses of cash within the business. As they say, "Cash is King" and without it your doors will soon close.

LINE ITEM	CONTENTS
BEGINNING OWNER'S EQUITY	-OWNER'S EQUITY AT THE BEGINNING OF THE PERIOD BEING ANALYZED. USUALLY ONE YEAR OR ONE MONTH.
+NET INCOME	-NET INCOME FROM THE INCOME STATEMENT.
+/- CAPITAL WITHDRAWALS OR CONTRIBUTIONS	-MONEY THE OWNER EITHER TOOK OUT OR PAID IN TO THE BUSINESS. TIED TO *CONTRIBUTED CAPITAL* SECTION OF BALANCE SHEET.
ENDING OWNER'S EQUITY	-BEGINNING EQUITY MINUS ADJUSTMENTS

Statement of Cash Flows

LINE ITEM	CONTENTS

CASH FROM OPERATING ACTIVITIES +*REVENUE FROM SALES* -*OPERATING EXPENSES* **TOTAL CASH FROM OPERATING ACTIVITIES**	-CASH RECEIVED (NOT ACCRUAL) FROM SALES -COSTS OF GOODS SOLD AND SALES, ADMINISTRATION AND GENERAL EXPENSES PAID IN CASH. (INCOME STATEMENT EXPENSE) -DIFFERENCE BETWEEN THE CATEGORIES
CASH FROM INVESTMENT ACTIVITIES + *CAPITAL ITEMS SOLD* - *CAPITAL ITEMS PURCHASED* **TOTAL CASH FROM INVESTING ACTIVITIES**	-SELLING CAPITAL ITEMS (EQUIPMENT, MACHINES, ETC.). -CASH USED TO BUY CAPITAL ASSETS (EQUIPMENT, MACHINES, LAND, ETC.) -DIFFERENCE BETWEEN THE CATEGORIES.
CASH FROM FINANCING ACTIVITIES + NEW TERM LOAN PRINCIPAL - TERM LOAN PRINCIPAL REPAID + CAPITAL CONTRIBUTIONS OF OWNER - CAPITAL WITHDRAWALS BY OWNER **TOTAL CASH FROM FINANCING ACTIVITIES**	-CASH FROM NEW LOAN OR BORROWING -PRINCIPAL REPAID ON EXISTING OR OLD LOANS -CASH CONTRIBUTED BY OWNER TO FARM OR OTHER BUSINESS -CASH WITHDRAWAL BY OWNER(S), NOT SALARY -DIFFERENCE BETWEEN THE CATEGORIES
BEGINNING CASH BALANCE +/- OPERATING ACTIVITIES +/- INVESTING ACTIVITIES +/- FINANCING ACTIVITIES **TOTAL ENDING CASH BALANCE**	-THE ENDING CASH BALANCE SHOULD BE THE SAME AS ALL CASH ACCOUNTS ADDED TOGETHER (BANK ACCOUNTS, SHORT-TERM DEPOSITS, ETC.)

The cash flow statement is often overlooked, but is extremely important. The statement allows a farmer or other business owner to see where the majority of cash is being used. The hope is that cash from operating activities is positive, which indicates profit. If this is indeed the case, then financing and investing activities can be viewed as forward-looking uses of cash. A farmer, however, must be aware of what accounts are tied to which segments of this statement. Incorrectly placed categories can skew the statement and make it difficult to attribute cash sources and uses to the correct type of activity.

As mentioned before, these are oversimplified versions of the components within financial statements. Noncash depreciation and amortization expenses can also play an important part in formulating operating results. Depreciation of long-term assets can depend on how the items are used and whether anything is an expense or capital improvement. The Internal Revenue Service (IRS) has a comprehensive guide on farm depreciation that can assist in making this determination (Internal Revenue Service, 2017). determination.[20] Again, an accountant should be retained to get personalized advice on how your financials should be structured.

Once a farmer understands financial statements, assessing profitability can begin. The first step is to assess the performance of your farm or other business. This is followed by a comparison to peers doing the same type of farming operation or other business.

Trend Analysis

To assess your farm's profitability, a farmer must build a financial history over time. As the cliché goes, "You can't tell where you're going until you know where you've been." This holds true for financials. The buildup of consistent, reliable data, allows the farmer to feel confident in tweaking operations. A lack of financial history leaves a farmer blind to what factors might truly be impacting profitability. As Miller, et al., wrote, ". . .[i]t is absolutely critical to be consistent from year to year in compiling financial statement information and computing financial measures when doing trend analysis."[21]

Now, assuming that you have accurate financials, there are some recommended performance measures. With respect to profitability, the following measures (from Plastina, 2017) provide meaningful insight when compared over time.

- **Net farm income**: Net income from the income statement
- **Rate of return on farm assets**: Net income / total assets (can be segmented by "owned" or "rented")
- **Rate of return on farm equity**: Net income / total equity
- **Operating profit margin ratio**: Net farm operating income + interest expense-operator fee) / gross Revenue[22]

The emphasis of these ratios is to track the return of income on the capital you have attached to the farm. Like any business, a low rate of return may mean that your capital could prove more profitable under a different product mix, or within a different industry entirely.

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[20] https://www.irs.gov/publications/p225/ch07.html#en_US_2016_publink1000218139

[21] Alan Miller, et al., *Is Your Farm Business Accurately Measuring Profitability: A Checklist for Building Complete, Accurate and Consistent Financial Statements,* Ctr for Food and Ag. Bus. Univ. of Purdue, pg 2.

[22] Alejandro Plastina, *Financial Performance Measures for Iowa Farms, Iowa State University Extension and Outreach, available at: https://www.extension.iastate.edu/agdm/wholefarm/html/c3-55.html*

SPECIALTY CROPS

Many people reading this bulletin will be considering adding value to specialty crops, which is to say all crops except those commodities that receive direct income support under the Farm Bill, the federal legislation produced roughly every five years to set our nation's agricultural policy. What are commodities? U.S. farmers produce a billions of dollars of many crops, including corn, soybeans, and wheat. We are not talking about sweet corn-on-the-cob or edamame – commodity corn and soybeans are produced and traded on a tremendous scale.

The economic health of farmers has long been an area of public policy attention. Farm policy, as defined by Knutson *et al*., 2006 is "the set of government programs directly influencing agricultural production and marketing decisions. Some of the main goals have been to support farm prices and incomes (notably beginning in the depression times of the1930s, but continuing through multiple periods of stress), often intending to maintain family farms. Over time, policy tools have included a "target price" set by the government (and subsidies paid to producers if the market price fell below the target price) to today's efforts that emphasize insurance products (for which insurance products are sold by private companies to protect against crop losses from various sources at rates that are subsidized).

Farm policy in the Farm Bill has tended to be organized around topics of commodity crops, conservation, trade, nutrition, credit, rural development, research and extension, forestry, energy, specialty crops, and crop insurance. Specialty crops have not been the focus of the programs implemented by USDA until very recently. Today the specialty crop component of the Farm Bill covers farmers' markets and local food programs, funding for research and infrastructure specific to those "specialty crops," and organic research and certification programs.

Specialty crop producers are not eligible for the federal commodity price and income support programs that benefit commodity crop producers, but are eligible for other types of USDA support.

SPECIALTY CROPS DEFINED

In fact, specialty crops are defined in law as "fruits and vegetables, tree nuts, dried fruits and horticulture and nursery crops, including floriculture." The specialty crop category is relatively comprehensive: the USDA Agricultural Marketing Service maintains a list of more than 300 commodities including 46 fruits and tree nuts, 49 vegetables, 109 culinary and medicinal herbs, and 117 floriculture and nursery crops. Currently, the USDA National Agricultural Statistics Service (NASS) reports acreage for 38 specialty crops, which you can look up on the NASS website for every state and **county** (https://www.nass.usda.gov/).

So specialty crops are diverse, but are they significant? Lest we think that specialty crops are not a notable part of the size of America's agricultural production, realize that their value accounts for more than 30% of the cash receipts for crop sales in the United States. Some specialty crops are quite high value, such as almonds; and specialty crops are produced in all the states, though the two largest producers are New York and California (think apples and almonds, respectively).

PROGRAMS FOR SPECIALTY CROPS

One program of special interest is the federal Specialty Crop Block Grant Program, which provides block grants to the 50 state departments of agriculture to enhance the competitiveness of specialty crops. The program is mandatory and not subject to annual appropriations. Program funding is $72.5 million annually (fiscal years 2014 to 2017) and $85 million for FY2018 and each year thereafter. Funding for multi-state project grants is also provided.

Each state receives a base grant plus additional funds based on the state's share of the total value of U.S. specialty crop production. Traditionally, California, Florida, and Washington have been the three largest recipients under this program, accounting for approximately one-half of all available funds. Each state develops priorities for funding and spends its allocation accordingly. Funded projects tend to cover marketing and promotion, education, research, pest and plant health, food safety, and production.

While U.S. Farm Bill programs for specialty crop producers are not nearly as robust as those for program commodity producers, support for specialty crops does come under the umbrella of a wide range of existing USDA programs. These include:

- marketing and promotion programs, and university Extension offices.

Still, other federal programs might support specialty programs, such as school nutrition programs like the USDA Fresh Fruit and Vegetable Program, which has a goal to increase fruit and vegetable consumption among students in the nation's poorest elementary schools by providing free fresh fruits and vegetables to students separately from regular school meals (it provides low income school children a fresh fruit or vegetable snack three to five days a week).

Other components of the Farm Bill certainly impact specialty crops as well. For instance, organics are affected through the National Organic Program and the USDA certified organic label, and the USDA Tree Assistance Program supports orchardists and nursery tree growers.

http://nationalaglawcenter.org/overview/specialty-crops/

CROP INSURANCE FOR SPECIALTY CROPS

USDA's Risk Management Agency (RMA)—driven largely by the 2014 farm bill—has been extending the crop insurance program to more growers of high-value fruits and vegetables, both conventionally grown and organic. In the 2015 *Report to Congress: Specialty Crop Report* (Federal Crop Insurance Corp., 2015), the USDA provides a list of 38 specialty crops that are currently covered by federal crop insurance plans and whose acreage is reported by NASS.

For many vegetable crops, RMA has not yet developed policies because of inadequate data or because producers have expressed concerns that a risk management policy could encourage farmers to plant more acreage and conceivably drive down prices.

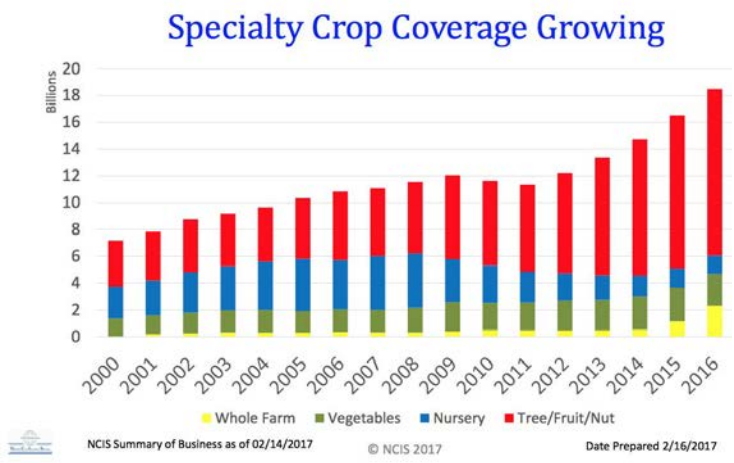
There's been a lot of interest among vegetable growers in USDA Whole-Farm Revenue Protection, which covers multiple crops. On coverage options between 50 and 75%, the subsidy rate is 80%, compared to an average premium subsidy of about 62% for all crop insurance policies.

Looking at premium subsidies by crop, the bulk of producer subsidies are still for corn, wheat, soybeans, and cotton—accounting for about 80% of total federal investment in 2013, according to a 2015 Congressional Research Service report (https://fas.org/sgp/crs/misc/R40532.pdf.) Still, expansion into new crops and new regions—an effort that RMA started about 25 years ago—seems likely to continue.

According to USDA, vegetable farms in the U.S. are largely individually owned and relatively small, with three-fourths of the 69,172 farms that produce vegetables harvesting fewer than 15 acres. Relatively few farms, however, account for most commercial sales of vegetables. About 9% of operations classified as vegetable farms had sales topping $500,000, yet these farms accounted for 90% of the value of vegetables sold by growers.year

California and Florida produce the largest selection and quantity of fresh vegetables. California also produces vegetables for processing, while the Upper Midwest states (Michigan, Minnesota, and Wisconsin) grow a

large portion of the green peas, snap beans, and sweet corn used in canning. Pacific Northwest states (Idaho, Oregon, and Washington) along with New York supply the largest share of frozen vegetables and more than half the potatoes. Significant potato production also takes place in Wisconsin, North Dakota, and Colorado. North Carolina, California, and Mississippi produce more than three-fourths of the sweet potato crop. Pennsylvania and California raise the majority of the nation's mushrooms.



In addition to individual specialty crop insurance coverage, growers have participated in RMA's Adjusted Gross Revenue (AGR) insurance plan. AGR provides protection against a fall in revenue and covers income from agricultural commodities, animal products, animals, and aquaculture species reared in a controlled environment. As described by the USDA, the AGR (1) uses documentation of participants from historical IRS Schedule F or equivalent forms and an annual farm report to establish a base; (2) provides insurance for multiple agricultural commodities in one product; and (3) establishes revenue as a common denominator for the production of all agricultural commodities .

Farm Programs and Direct Marketing
A number of Farm Bill programs have been instrumental in the growth of direct markets in the country, including the following five programs: Specialty Crop Block Grant, Value Added Producer Grant, Farmers Market Promotion, Local Foods Promotion, and Federal State Marketing Improvement. Similarly, the Farmers' Market Nutrition Program and Senior Farmers' Market Nutrition Program are helping boost local food sales and bring healthy foods to low-income communities, and the Food Insecurity Nutrition Incentive Grant Program promises to do the same. In the institutional food arena, the Farm to School Grant Program and the geographic preference provision in the school lunch program have educated and enabled food school directors to buy and prepare more local and regionally grown foods.

USDA Specialty Crop Research Initiative
U.S. Department of Defense Fresh Fruit and Vegetable Program
USDA Organic Certification Cost Share Program
Natural Resources Conservation Service's Environmental Quality Incentives Program (EQIP)

SPECIALTY CROPS BEYOND THE FARM BILL

Numerous federal programs and legislation affect specialty crop producers beyond the umbrella of the Farm Bill, but these are more in the vein of regulation that applies to producers. For instance, recent outbreaks of food-borne illness linked to specialty crops have intensified both growers' and consumers' concerns about food safety. Growers and handlers are embracing *voluntary* audits such as Good Agricultural Practices' (GAP) and Good Handling Practices' (GHP) standards to minimize the threats of microbial contamination in the production of fresh fruits and vegetables. At the same time, processors of specialty crops take many precautions and follow industry and government standards through Good Manufacturing Processes (GMP).

Efforts required under law for produce growers, shippers, and handlers were created by the Food Safety Modernization Act (FSMA) of 2011. FSMA authorizes the FDA to take a preventive

approach to food safety issues in the U.S. food supply. This is a shift in approach where previously the focus had been on *detection* of food-borne illness. One of the first challenges that growers will face with addressing FSMA is understanding the regulations that will implement the act in its aim to control common routes of contamination, including: agricultural water; biological soil amendments of animal origin; worker health and hygiene; equipment, tools, buildings and sanitation; domesticated and wild animals; and conditions for growing, harvesting, packing, and holding activities. These include preventive controls, specific requirements for imported foods, food safety inspections, the sanitary transportation of foods, and food compliance timelines. In writing the FSMA, Congress recognized that different scales of farming and different types of supply chains pose different risks to the safety of the food supply. The risk-based approach that the FDA is implementing has flexibility in that some foods are excluded from the law (those rarely consumed raw, primarily); some producers may be exempt from all requirements; and some producers may be eligible for modified requirements.

Such efforts, whether voluntary or required, help maintain the well-being of consumers and are important to maintaining consumer confidence in specialty crop products.

RESEARCH

Many farms in the West have benefited from university and on-farm research into new products, practices, and approaches to farming. Farming is not an exact science, and outputs continue to evolve for farms and food processors. Continued growth in the local and regional sectors of agriculture depends on developing new regionally and locally adapted seeds and techniques, continued investment in organic research and on-farm research, and dissemination of that research to farmers, scientists, and others. In Wyoming, this research is most visible at the University of Wyoming's four agricultural experiment stations, located in Laramie, Lingle, Powell, and Sheridan. The University of Wyoming Extension has county- and state-based educators and specialists in crop and horticultural development. From these sources, expect to learn about new practices that will help make you a more profitable farmer.

POST-HARVEST HANDLING OF EDIBLE HORTICULTURAL PRODUCTS[23]

Virtually every horticultural product is perishable and changes after harvest; however, consumers will accept few of these changes. Recommendations for post-harvest care differ greatly by commodity, although there are some commonalities. Commonalities include the facts that all are high in water content (65%–95%), so are susceptible to water loss (desiccation) and mechanical injury. They are also very susceptible to pathogen, which reduce quality and hasten product breakdown.

Quality

To better discuss post-harvest handling, we need to know the definition of "horticultural quality". This can be defined basically as the features that make the product what it is and the degree of excellence or superiority in comparison with others of the same type.

There are a number of components to the concept of quality. These include appearance of the horticultural product, which is very important and is often the first sense used to pick out such products. Its size, shape or form, color, gloss or sheen, and presence of defects all affect visual impressions of the product. If it doesn't look good, consumers won't buy it.

Another component of horticultural quality is texture or feel. Its firmness or softness, crispness, juiciness, grittiness, or toughness and

[23] This section was written by Karen Panter, horticulture specialist, University of Wyoming Extension.

fibrousness may enhance a consumer's perception of a product or may detract from it.

Flavor, including taste and smell, is yet another quality component. Whether the product is sweet, sour or acidic, astringent, bitter, aromatic, or emits off-flavors or off-odors all impact the quality of a horticultural product.

The nutritive value of a horticultural product is also important, but is largely hidden; we cannot see the nutrients in a carrot, for example. Components we can test for, but cannot necessarily see or taste, include the presence of carbohydrates, proteins, lipids, vitamins, and minerals.

Another quality component not normally mentioned is that of safety. The presence of naturally occurring toxins will decrease quality as will introduced contaminants, mycotoxins, and especially microbial contaminants such as *Escherichia coli*, commonly referred to as *E. coli*

Quality Standards

Standards of quality for some horticultural products have been developed. They have arisen because of the need for a common language among producers, sellers, and consumers. They also assist producers and crop handlers in preparation by knowing which products are good enough to sell and which are not. These standards also provide incentives for better quality in production and post-harvest care and provide a basis for pricing. They can also assist in resolving damage claims and disputes.

Maturity of the Horticultural Product

This is the most important quality parameter for fresh fruits and vegetables. It is described as the stage at which the ripening process will be properly completed, and it varies from commodity to commodity. It is also the most important factor in considering storage life and the final quality of the fruit or vegetable in the consumer's hands. If the fruit or vegetable is too immature when harvested, it may shrivel, be susceptible to mechanical damage, and be of inferior quality when it finally does ripen. If the fruit or vegetable is over-mature when it is harvested, it may be soft and mealy, may develop off-flavors and off-odors, and will have a short shelf life.

Post-harvest in Relation to Fruits

There are basically two different categories of fruits: those that do not ripen any more after they are harvested, and those that continue to ripen after harvest.

Those in the former category must be harvested at just the right stage since they won't ripen any further after removal from the parent plant. Those that do not ripen after harvest include strawberries, blackberries, blueberries, raspberries, grapes, cherries, oranges, lemons, limes, grapefruit, pineapple, and pomegranate. Fruits that do ripen after harvest include apples, pears, apricots, nectarines, peaches, plums, kiwis, avocados, bananas, and tomatoes.

Why do some ripen off the parent plant while others don't? It all has to do with a naturally occurring plant hormone called ethylene (Fig. 1). Ethylene, C_2H_4, is a colorless, odorless gas produced by all plants in small amounts. It has numerous functions in plants, one of which is hastening plant maturity and fruit ripening. The common thread with those fruits that don't ripen off the parent plant is that they produce ethylene in very small amounts and they also don't respond to external treatment with ethylene. Those fruits that do ripen when removed from the parent plant produce ethylene in copious amounts, leading to faster ripening and hastened deterioration of the fruit. They ripen faster when exposed to ethylene and ripen more uniformly with ethylene exposure as well.

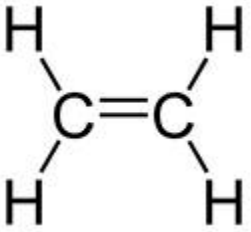


Figure 1. Molecular structure of ethylene.

What Happens in Fruit and Vegetable Deterioration?

Numerous physiological changes occur within a fruit or vegetable when it starts to deteriorate. Transpiration, or loss of water from the plant, continues even after removal from the parent plant. Respiration also continues; this is the process where carbohydrates, proteins, and fats break down and are used by the fruit or vegetable. This process hastens the deterioration and senescence of the plant part and reduces the food's value for consumers. It results in loss of flavor and loss of saleable weight as well.

Ethylene production increases when the fruit or vegetable is physically bruised, when plant pathogens are present, when temperatures increase, and with water stress. Ethylene production drops off under low temperature storage, when oxygen levels are less than 8% in the air, and when carbon dioxide levels are higher than 1% in the air.

There are also chemical changes that happen inside the fruit or vegetable when it starts to deteriorate. Colors change, which is something we can see when bananas turn brown as they ripen. Carbohydrates, which are basically long chains of sugar molecules, also collapse. Starch will deteriorate to sugar, a negative if you're dealing with potatoes, but a positive if it's bananas or apples. Sugars can also form starches, a negative reaction in peas and sweet corn, but a good thing with potatoes. Lignins, acids, proteins, and lipids can all be affected as well.

Sometimes, post-harvest deterioration takes the form of abnormal growth and development. Potatoes, onions, and garlic frequently send out sprouts as they age. Onions and other root crops may develop new roots. Some vegetables and floral crops show geotropic responses in that the tips of the shoots will turn up as they deteriorate. This happens sometimes with asparagus, snapdragons, and gladiolus. At times, we even see seeds germinate inside the fruits. This happens relatively frequently with tomatoes. The germinating seeds may look like little worms, but the seeds are actually sending out little roots. Consumers may be surprised when they cut open a beefsteak tomato for the family's salad and find germinating seeds. It is a sign the tomato is past its optimum maturity stage.

As a fruit or vegetable deteriorates, it almost always loses water. This results in less saleable weight at the store, negative appearance, loss of textural quality, and often a decrease in nutritional value, too. Water loss is caused by injury, humidity that is too low, temperatures that are too high, etc., after removal from the parent plant.

Physiological breakdowns within the plant part are often caused by chilling or freezing injury or exposure to too high temperatures. The health of the parent plant before harvest also plays a large role. If the parent plant is sub-par nutritionally, the fruit or vegetable harvested from it will also be inferior.

Keeping fruits and vegetables safe from physical damage during harvest, shipping, and sales is critically important. Physical damage to horticultural crops can result in brown spots due to cells and membranes breaking down, increased water loss, increased sites for disease entry, and also increased ethylene production, which further hastens the deterioration of the plant part.

How Do We Deal with All This?

The method of harvest is important and varies with the crop. Fruits are typically cut or plucked from the plant. This process can be either done mechanically using specialized equipment, or can be done by hand, depending on the crop. Root crops are typically harvested using specialized equipment. Either way, the products (especially root crops) may then be washed, sorted, graded, and packed.

Keeping plants healthy prior to harvest is of utmost importance. Proper irrigation, nutrition, and pest management are all keys to optimum yields and best quality produce. The second key is to harvest the fruit or vegetable at its proper stage of maturity. When sorting, separate defective produce and sell the best mature product immediately. Many fruits and

vegetables should be trimmed before they are displayed for sale. Containers should be labeled with harvest date as well.

Harvesting should always be done during the coolest part of the day; often the best time is early morning. Products should be held in shaded areas until they are transported from the field or greenhouse to the sorting and packing area. Shipping and delivery should be accomplished in refrigerated vehicles, if at all possible. The best temperatures are typically 35–40°F/2–4°C. Relative humidity should be about 95%. Try to avoid mechanical and physical injury to the produce during transportation.

Another key to keeping maximum post-harvest quality at its highest is sanitation of delivery boxes, vans, and trucks. Make sure they are frequently cleaned and sanitized to minimize contamination problems from previous crops. We cannot underestimate the importance of food safety during all aspects of handling and production. Nearly every year, there are reports of deaths and serious illness around the country due to improper food handling, and some of those incidents have occurred very close to home, including the 2011 listeria outbreak in cantaloupe from one Colorado farm that left 33 dead and many others seriously ill.

Not all fruits and vegetables are destined for the fresh market. Some products are frozen, canned, fermented, or pickled. These processes all result in differences in color, texture, and flavor. For example, we all can relate to the differences between fresh green beans, frozen green beans, and canned green beans.

The marketing strategy used for fruits and vegetables includes numerous options these days. Direct marketing strategies include pick-your-own operations, roadside stands, farmers' markets, and CSAs. Non-direct methods involve brokers, coops, processors, distributors, and retailers. It is up to growers to decide which options are the best for their operations.

SECTION 8. REFERENCES CITED

"I read and think. So I do more reading and thinking, and make less impulse decisions than most people in business." —Warren Buffett, American business magnate, investor, philanthropist, well-known author and speaker, and chair of Berkshire Hathaway, a multinational conglomerate holding company based in Omaha, Nebraska.

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SECTION 9. RESOURCES

"I spend a lot of time reading." —Bill Gates, American philanthropist, humanitarian, well-known author and speaker, business magnate, investor, entrepreneur, and principal founder of Microsoft Corp.

WYOMING AGENCIES AND GROUPS

Wyoming Department of Agriculture (WDA), Consumer Health Services (CHS)
wyagric.state.wy.us/divisions/chs
2219 Carey Avenue
Cheyenne, WY 82002-0100
(307) 777-7321 (WDA state office)
(307) 777-7211 (CHS state office)

Wyoming Food Safety Coalition
wyomingfoodsafety.org

Wyoming Farm to School Resource Guide
edu.wyoming.gov/downloads/nutrition/farm-to-school-resource-guide-final.pdf

Wyoming State Chamber of Commerce
www.wyomingchambers.com

Wyoming Business Council
www.wyomingbusiness.org

Wyoming State Bar
www.wyomingbar.org

Wyoming Trademarks Database
trademarks.wyo.gov

Wyoming Secretary of State
soswy.state.wy.us

Wyoming Department of Workforce Services
www.wyomingworkforce.org

Wyoming Department of Revenue
revenue.wyo.gov

FURTHER READING

The U.S. Food and Drug Administration's *How to Start a Food Business* is a guide for food entrepreneurs. www.fda.gov/Food/ResourcesForYou/Industry/ucm322302.htm

Food Ventures in Wyoming: A Resource and Regulatory Guide includes information on basic legal and food safety issues for entrepreneurs. Edited by Cole Ehmke (2018). University of Wyoming Extension. www.wyoextension.org/publications, B-1324.

The *Canner's Corner* series of publications from University of Wyoming Extension provides basic information about food preservation.
www.uwyo.edu/foods/educational-resources/food-preservation.html

Rural Guide to Community Supported Agriculture introduces the concept of CSAs and insights on their management. www.wyomingextension.org/agpubs/pubs/B1251.pdf

The *High Tunnel Handbook* helps new users of this season extension technology to better employ it. http://www.wyoextension.org/agpubs/pubs/B1234.pdf

The National Agricultural Law Center has numerous resources, including *An Overview of Organizational and Ownership Options Available to Agricultural Enterprises*. parts one and two. nationalaglawcenter.org (general website address); http://nationalaglawcenter.org/center-publications/ (publications website address)

The U.S. Internal Revenue Service provides information about how federal tax laws apply to farming in Publication 225, *Farmer's Tax Guide.* www.irs.gov/forms-pubs/about-publication-225

Utah State University Extension's *Small Farm Tax Guide* offers information on federal farm tax management. www.ruraltax.org/small-farm-tax-guide

The U.S. Small Business Administration's *Manage Your Finances* website provides comprehensive information about government programs that help new and existing agricultural businesses start, expand, obtain financing, and comply with laws and regulations. www.sba.gov/content/agriculture

Insights on selling wholesale are in FamilyFarmed's *Wholesale Success: A Farmer's Guide to Food Safety, Selling, Postharvest Handling, and Packing Produce,* third edition, edited by Jim Slama and Atina Diffley. www.FamilyFarmed.org

GRANTS AND LOANS

This list of resources is drawn from *Food Ventures in Wyoming: A Resource and Regulatory Guide*. (2018). University of Wyoming Extension. www.wyoextension.org/publications, B-1324.

Wyoming Department of Education's Farm to School program
edu.wyoming.gov/beyond-the-classroom/nutrition/farm-to-school

Wyoming Business Council (WBC) Small Business Energy Audit/Retrofit program
www.wyomingbusiness.org/content/business-energy-audits-retrofits

WBC Value-Added Agriculture Loan program
www.wyomingbusiness.org/content/businesses-seeking-financing

WBC Trade Show and Market Expansion Grant program
www.wyomingbusiness.org/content/trade-show-incentives

WBC State Trade Expansion Program (STEP)
www.wyomingbusiness.org/exports

WBC Historic Architecture Assistance Fund
wyomingbusiness.org/mainstreet

WBC Partnership Challenge Loan program
www.wyomingbusiness.org/content/businesses-seeking-financing

Wyoming Department of Workforce Service's Workforce Development Training Fund
www.wyomingworkforce.org/businesses/wdtf

Wyoming Department of Agriculture's Specialty Crop Block Grant Program
wyagric.state.wy.us/component/content/article/34-agnews/178-specialty-crop-grant-information

Wyoming Specialty Crop On Farm Research Grants up to $5,000 will be awarded to producers to promote specialty crop on-farm research projects. Wyoming agricultural organizations are eligible to apply for a grant if they meet the following criteria:
1. Be a registered producer in the state of Wyoming.
2. Demonstrate that the agri-business is capable of promoting the use of specialty crop production through an approved research project.
3. Have on their team a researcher from a Wyoming college, the University of Wyoming, or other Wyoming research expert approved by the Wyoming Department of Agriculture. Eligible expenditures are limited to supplies necessary to complete research. A 25% match is required.

Wyoming Office of State Lands and Investments' Farm Loan program
lands.wyo.gov/grantsloans/loans/farm

Walmart Foundation's Community Grant Program
giving.walmart.com/walmart-foundation/community-grant-program

USDA Farm Service Agency (FSA) loans

Farm Operating
Microloan
Farm Ownership
Guaranteed Farm
Youth
Minority and Women Farmers and Ranchers
Beginning Farmers and Ranchers
Emergency Farm
Native American Tribal
www.fsa.usda.gov/programs-and-services/farm-loan-programs

FSA Farm Storage Facility Loan Program
www.fsa.usda.gov/programs-and-services/price-support/facility-loans/farm-storage/index

USDA Organic Certification Cost Share Programs
www.ams.usda.gov/services/grants/occsp

USDA Natural Resources Conservation Service (NRCS)

Environmental Quality Incentives Program (EQIP)
EQIP Organic Initiative
EQIP High Tunnel System Initiative
Agricultural Management Assistance
Google the above names to easily find the respective web pages

USDA Rural Development's Rural Business Development Grants in Wyoming
www.rd.usda.gov/wy

USDA Value-Added Producer Grants
www.rd.usda.gov/wy

USDA Rural Energy for America Program (REAP)
www.rd.usda.gov/wy

USDA Rural Development Business and Industry Loan Guarantees in Wyoming
www.rd.usda.gov/wy

USDA Farmers Market Promotion Program
www.ams.usda.gov/services/grants/fmpp

USDA Local Food Promotion Program
www.ams.usda.gov/services/grants/lfpp

Western Sustainable Agriculture Research and Education (SARE) Farmer/Rancher Grants
www.westernsare.org/Grants/Types-of-Grants

Organic Farming Research Foundation research grants

ofrf.org

Western United States Agricultural Trade Association FundMatch Program
www.wusata.org

Wyoming Small Business Innovation Research grants
www.uwyo.edu/sbir

USDA LISTING OF SPECIALTY CROPS

This is USDA's list of eligible and ineligible products under the statutory definition and is not intended to be all-inclusive, but rather to provide examples of the most common specialty crops. Please note that this list is subject to change; for the most up-to-date list, refer to the website at the bottom of this section.

FRUITS AND TREE NUTS

almond, apple, apricot, *Aronia* (chokeberry) avocado, banana, blackberry, blueberry, breadfruit, cacao, cashew, cherimoya, cherry, chestnut (for nuts), chokeberry, citrus, coconut, coffee, cranberry, currant, date, feijoa fruit, fig, filbert (hazelnut), gooseberry, grape (including raisin), guava, kiwi, litchi, macadamia, mango, nectarine, olive, papaya, passion fruit, peach, pear, pecan, persimmon, pineapple, pistachio, plum (including prune), pomegranate, quince, raspberry, strawberry, Suriname cherry, and walnut.

VEGETABLES

artichoke, asparagus, bean (snap, green, lima, dry, edible), beet (table), broccoli/ broccoli raab, Brussels sprouts, cabbage (including Chinese), carrot, cauliflower, celeriac, celery, chickpeas, chive, collards (including kale), cucumber, edamame, eggplant, endive, garlic, horseradish, kohlrabi, leek, lentils, lettuce, melon (all types), mushroom (cultivated), mustard and other greens, okra, onion, *Opuntia* (prickly pear), parsley, parsnip, pea (garden, dry, edible), pepper, potato, pumpkin, radish, rhubarb, rutabaga, salsify, spinach, squash (summer and winter), sweet corn, sweet potato, Swiss chard, taro, tomato/tomatillo, turnip, and watermelon.

CULINARY HERBS AND SPICES

Ajwain (caraway), allspice, *Angelica* spp., anise, annatto., arugula, asafetida, basil (all types), bay (cultivated), bladder wrack (seaweed), Bolivian coriander, borage, *calendula* (herbal uses), candle nut, caper, caraway, cardamom, cassia spice, cinnamon, clary sage, cloves, catnip, chamomile, chervil, chicory, cicely, cilantro, comfrey, coriander, cress, cumin, curry, dill, fennel, fenugreek, filé (cultivated), fingerroot, galangal, ginger, hops, horehound, hyssop, lavender, lemon balm, lemon thyme, lovage, mace, mahlab, malabathrum, marjoram, mint (all types), mugwort, nutmeg, oregano, orris root, paprika, parsley, pepper, rosemary, rue, saffron, sage (all types), savory (all types), sorrel, tarragon, thyme, turmeric, vanilla, wasabi, and watercress.

MEDICINAL HERBS

Artemisia spp., arum, astralagus, boldo, comfrey, coneflower, fenugreek, feverfew, foxglove, ginkgo biloba, ginseng, goat's rue, goldenseal, gypsywort, horehound, horsetail, lavender, liquorice, marshmallow, mullein, nettle, passionflower, patchouli, pennyroyal, pokeweed, senna, skullcap, sorrel, St. John's wort, stevia, tansy, urtica, witch hazel, wood betony, wormwood, yarrow, and yerba buena.

HORTICULTURE

honey, hops, maple syrup, tea leaves, and turfgrass.

NURSERY AND GREENHOUSE PLANTS

- Annual Bedding Plants: species of *Begonia, Dahlia, Geranium, Impatiens*, and *Petunia*; also coleus, marigold, pansy, snapdragon, and vegetable transplants.
- Potted Flowering Plants: African violet, azalea, florist chrysanthemum, flowering bulbs, *Hydrangea* spp., lily, orchid, poinsettia, and rose.
- Potted Herbaceous Perennials: species of *Astilbe, Coreopsis, Delphinium, Dianthus, Heuchera, Hosta, Phlox, Rudbeckia, Salvia*, and *Vinca*; also columbine, daylily, garden chrysanthemum, ivy, ornamental grasses, and peony.
- Cut Flowers: species of *Chrysanthemum, Delphinium, Gladiolus*, and *Iris*; also lily, orchid, rose, snapdragon, and tulip.
- Cut Cultivated Greens: species of *Eucalyptus* and *Pittosporum*; also asparagus fern, holly, coniferous evergreens, and leatherleaf fern.
- Foliage Plants: species of *Anthurium, Dieffenbachia, Dracaena, Ficus, Philodendron*, and *Spathiphyllum*; also bromeliad, cacti, fern, ivy, and palm.
- Christmas Trees: balsam fir, blue spruce, Douglas fir, Fraser fir, living Christmas tree, noble fir, Scots pine, white pine.
- Deciduous Flowering Trees: crabapple, crepe myrtle, dogwood, flowering cherry, flowering pear, flowering plum, hawthorn, magnolia, redbud, and serviceberry.
- Broadleaf Evergreens: species of *Cotoneaster, Euonymus, Pieris, Rhododendron*, and *Viburnum*; also azalea, boxwood, and holly.
- Deciduous Shade Trees: ash, elm, honey locust, linden, maple, oak, poplar, sweetgum, and sycamore.
- Landscape Conifers: arborvitae, *Chamaecyparis* (cypress), fir, hemlock, juniper, pine, spruce, and yew.
- Deciduous Shrubs: species of *Buddleia, Hibiscus, Hydrangea, Spirea, Viburnum, and Weigela; also* barberry and rose.

LIST OF INELIGIBLE COMMODITIES

alfalfa, barley (including malting barley), buckwheat, camelina, canola, canola oil, clover, corn (amylomaize, dent, field, flint, flower, Japonica striped maize, pod, waxy, white), cotton, cottonseed oil, dairy products, eggs, fish (marine, freshwater), flax (including false flax), flaxseed, hay, hemp, livestock products, millet, mustard seed oil, oats, peanut oil, peanuts, primrose, quinoa, range grasses, rapeseed oil, rice (including wild rice), rye, safflower (meal, oil), shellfish (marine, freshwater), sorghum, soybean oil, soybeans, sugar beets, sugarcane, sunflower oil, tobacco, tofu, and triticale.

Source: Congressional Research Service, adapted from USDA, https://www.ams.usda.gov/services/grants/scbgp/specialty-crop

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Cover: Helen Svenson in victory garden holding carrots, 1918 – 1919
Section 1. Fair Exhibit
Section 2. Head Lettuce. Agronomy Farm, Wyoming Experiment Station. July 17, 1923
Section 3. Albany County Fair, 1931 -1932
Section 4. Exhibits at Albany Co Fair, Sept 1904
Section 5. Tobacco at Wheatland Exp Farm, Sept 1892
Section 6. Douglas State Fair, Converse County Exhibit, by B.C. Buffum
Section 7. Planting Potatoes on Agronomy farm, Spring 1912
Section 9. Albany County Fair, 1931 -1932