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Key Issues Affecting the Feasibility of Producer-Owned, Value-Added Ventures in the South

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The transition from agricultural producer to agribusiness entrepreneur is littered with obstacles not associated with traditional farming operations. Producers are typically faced with an established market for their products as well as defined production practices and budgets. These familiar industry institutions are not available for use in the agribusiness environment. As a result, entrepreneurs are faced with new, unfamiliar situations that can significantly affect the success of their proposed or fledgling business.

Key Words: agribusiness, agritourism, cooperative, demand, economic development, entrepreneur, entrepreneurship, goats, value-added venture

JEL Classifications: R11, Q12, Q13

This paper will examine issues facing southeastern entrepreneurs and agribusinesses. These issues are examined and highlighted, with the inclusion of case studies involving agribusinesses in Tennessee and Georgia.

Case Study Descriptions

Central Georgia Livestock Cooperative

Diminished farm returns due to drought, urban sprawl, and low commodity prices are forcing farmers to identify alternative enterprises that may create a profit and reduce risk. Goats are resourceful rudiments that are able to survive on forages that do not compete directly with those used by cattle and other livestock. In addition, Georgia has experienced significant growth in its immigrant populations, resulting in an increase in demand for goat meat and associated products.

In response to the conditions above, Georgia has experienced tremendous growth in its goat population during the past decade. The goats are typically sold through established marketing channels, such as area livestock auction barns, or sold off the farm directly to consumers. However, goat producers realized that by processing their goats, they would be able to capture a larger percentage of the marketing margin dollar.

Population Changes and Demand for Goat

Georgia's ethnic population growth has exploded since the 1990s. As Georgia's population changes, new cultural traditions are emerging. Islam is growing in Georgia and throughout America. One Islamic tradition involves the slaughtering of a goat for special occasions, holidays, and celebrations. Two

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significant feasts, the small Eid, which is celebrated at the conclusion of Ramadan, and the great feast of Eid. Muslims with adequate financial resources purchase goats for these feasts (Ecker). There are an estimated 4 million Muslims living in the United States, with almost all residing in the urban centers (Pinkerton et al.).

1. Hispanic consumers frequently purchase goat meat during the holiday season. The Hispanic consumers typically serve cabrito or a young, high-quality, milk-fed kid during this season.
2. Asian consumers tend to prefer high-quality young goats in the 60- to 70-lb. live weight range. These consumers typically consume goat meat only during the cool weather months.

The Livestock Processing Cooperative was started by members of the Central Georgia County's Meat Goat Association with help from the County Cooperative Extension Service. The idea of forming a cooperative came into being when a local meat processing facility in the county closed. Area goat producers met to discuss the possibility of purchasing the facility and processing their goats for sale in ethnic Atlanta markets. After the initial meetings, a number of goat producers decided to form the Livestock Processing Cooperative (Ferland, McKissick, and Reynolds).

The Cooperative was structured as a new generation agricultural cooperative. The members decided on the new generation cooperative format as the best option to secure an adequate supply of goats. The legal issues associated with the new generation cooperative ensure that the organization will have a stable supply of goats throughout the year by stipulating that each member supply the cooperative one goat for each share of stock they purchase. This structure will ensure that the facility will have the goats necessary to operate efficiently and allow the cooperative to consistently provide its customers goat products.

The Livestock Processing Cooperative held its organizational meeting in June 2001, adopted by-laws, and elected a Board of Directors. The cooperative is open to all goat producers in Georgia and began accepting applications for membership immediately. The membership price included a one-time membership fee of $20, and each share of stock sold for $12.50. The share of stock entitles its owner not only the right, but also the obligation, to provide the cooperative with one goat per annum. The cooperative currently has 225 members in 82 Georgia counties.

Food Consumption Trends

According to the Canadian Government's publication, *Agri-Food Trade Source*, ethnic food purchasing accounts for approximately $75 billion dollars per year in the United States. This translates into $1 of every $7 spent on foodstuffs (Agriculture and Agri-Food Canada).

Goals

The main objective of the Livestock Processing Cooperative was to raise capital to purchase a U.S. Department of Agriculture (USDA)-inspected processing facility. Processing the goats in a USDA-inspected facility would allow the cooperative to market its goat products to retailers on a state and national basis. The cooperative wanted to add value to the goat carcasses in order to capture a larger share of the marketing margin. The revenue generated from processing the goats was significantly higher on a per head basis than marketing the goats through traditional live market auctions.

Issues of Concern

1. Securing investments for the processing facility
2. Securing a consistent supply of quality goats
3. Marketing value-added goat products

Securing Investments

The cooperative was established to spread the risk of purchasing and operating the processing facility. The County Meat Goat Association was not willing to incur the expense of purchasing and operating the facility and decided to form a cooperative and spread the risk among many members.

The cooperative initially had 225 members, with each paying $20 for membership. This generated $4,500. An additional $85,500 was needed to purchase the facility, with $50,000 required for repairs and legal services, before the plant would be operational. The cooperative held a number of meetings across the state to raise public awareness among goat farmers in an attempt to generate additional membership income and stock sales. It became apparent that producers were confused by the issue of having to purchase stock in the company in order to have animals processed. The issue of a binding contract for a specified number of animals caused concern among potential members. The price per pound for their animals was similar to the prices the producers were receiving at live auction markets across the state. Potential stockholders were interested in receiving a premium for their animals at the time they were delivered to the processing facility as opposed to receiving a dividend check at the end of the cooperative's fiscal year. These factors combined to act as a deterrent to potential goat processors and hindered the sale of stock. The cooperative was unable to sell a sufficient number of shares to fund the purchase of the processing facility.

Securing Goats

The processing facility anticipated that it could process 90 goats per day (450 goats per week). This translates into 22,500 goats per year. In 2001, there were an estimated 56,090 nannies within a 75-mi. radius of the proposed processing facility. Assuming a birth rate of 1.25 kids per nanny, the market area would produce approximately 70,112 goats annually. The number of goats in the immediate market area is sufficiently large to support the processing facility. Furthermore, expanding the market to include the entire state, the nanny population is estimated at 100,869 (Boatright and McKissick).

Again, producers were skeptical about receiving a return on their stock because of the uncertainty associated with starting a new venture. They preferred to receive a premium for their goats at the time of delivery, alleviating the risk to the producer. Slaughtering 450 head per week at a selling price of $2.80 per pound would yield an estimated $5.62 per share (Ferland, McKissick, and Reynolds). This approach shifted the risk from the producer to the cooperative, which proposed to pay the market price for goats, allowing flexibility in pricing and processing as markets developed. The disconnection between the cooperative and producers undermined the project, and the cooperative was unable to sell sufficient shares of stock to ensure the number of head required to operate the facility.

Marketing

The cooperative completed an extensive feasibility study to determine the economic viability of the proposed processing facility. The feasibility study indicated that the facility required a minimum of 450 goats per week selling at a price of $2.80 per pound to break even. Furthermore, the cooperative was able to identify a number of ethnic markets in the Atlanta area that were interested in purchasing locally produced goat products: nine (9) Muslim stores, five (5) African and Caribbean stores, and five (5) large Hispanic stores.

The Muslim stores offered only fresh Halahl-blessed whole carcasses weighing between 20 and 30 pounds (30–60 pounds live weight). The Muslim market demands younger goats with a medium red-to-light red color with a low fat content. As custom, shoppers would inspect the carcass and choose their cuts, or they could purchase a whole carcass for $2.99 per pound. Wholesale prices for the nine Muslim stores ranged from $1.79 to $3.00 per pound, averaging $2.50 per pound.

The African and Caribbean market offers both frozen and fresh goat products. They typically sell older, larger goats with a darker red-colored meat and a "musky" or strong flavor. These markets typically charged similar prices for fresh and frozen goat. These markets preferred fresh meat if they could locate a supplier, and wholesale prices averaged $2.50 per pound for the whole carcass.

The Hispanic market offered frozen goat sold in a variety of packages and sizes as well as fresh goat products. The Hispanic market preferred medium-sized goats weighing between 50 and 70 pounds live weight. The Hispanic markets averages about $3.14 per pound for a whole carcass, either fresh or frozen. The butcher typically reserves higher-quality carcasses for special fresh-cut products.

The market analysis conducted as part of the feasibility study indicated that there was a viable local market for the cooperative's goat products, both whole carcasses and processed cuts.

Conclusion

The largest obstacle facing the cooperative was its inability to convince Georgia goat producers to invest their money in a processing facility that obligated them to supply a specified number of head per year at a predetermined price. As a result, the cooperative failed to raise sufficient stock revenue through sales to purchase the processing facility. The feasibility study indicated that the cooperative could produce and market 450 head per week to the ethnic markets in the Atlanta area at a competitive price. However, producer uncertainty about the structure of the cooperative organization limited its ability to raise capital through stock sales, and therefore, it could not purchase the processing facility.

Given the results of the feasibility study, a private group or an individual might consider starting a similar operation to take advantage of the growing market. By steering away from the cooperative concept, a private business entity would have more flexibility in pricing the live animals to take advantage of fluctuating prices and offer a premium or contract with producers to attract quality animals away from the live auction markets.

New and Versatile Condiment

An entrepreneur in southeastern Tennessee had a unique condiment product that had been developed. The product is a specially blended combination of coleslaw and salsa and is used in much the same way as relish, ketchup, mustard, and other popular condiment products. The entrepreneur conducted limited market research by serving the condiment at various family and friend functions, where it received excellent reviews. Encouraged by the results, he decided to further develop the condiment with the intention of marketing to area retailers and restaurants under the company name.

The entrepreneur is currently a self-employed service contractor and did not have any formal food product development or marketing experience. He relied on a copacker and the University of Tennessee's Agricultural Development Center for expertise in these areas.

Market Trends

The U.S. condiment market continues to grow as consumers expand their tastes and demand new condiment products with both regional and international flavors. According to A.C. Nielsen, the condiment sector accounts for over $5.5 billion in sales and is expected to grow slowly as companies enhance current condiment products and introduce new products to meet the varied and changing tastes of the U.S. marketplace. The introduction of chef- or restaurant-inspired condiments is likely to fuel growth as consumers seek these products for use in home meal preparation (Mintel International Group).

Goal

The entrepreneur's goal is to start a small condiment company in Chattanooga, TN, and market the condiment to consumers though retailers, food service operations, and convenience stores across the country. The owners would like to make the company grow and generate sufficient revenue to allow the owners and their children to participate in the business full time.

Product Development

The condiment is a low-acid food product that requires a special process to ensure its safety for consumers. It requires a hot-fill process in which the product is packaged and sealed while it is extremely hot. This low-acidic nature has limited the potential for copackers. However, one copacker residing in north Georgia has the facilities and is capable of producing the condiment in limited quantities with a minimum of 10 cases.

The condiment was originally developed and produced in very small batches in a home kitchen. The kitchen was not large enough to produce the condiment in the quantities needed to enter the market. Furthermore, the state of Tennessee regards food produced in a house or residence for resale as illegal. These two factors required the entrepreneur to locate and develop a relationship with an approved processing facility.

The copacker worked closely with the entrepreneur and relied on the entrepreneur to develop a formula that would allow mass production of the condiment and maintain its flavor and quality. The copacker relied on the entrepreneur to supply all ingredients, measurements, and the recipe. The two parties constructed a no-competition and confidentiality contract to ensure the product would not be replicated nor its recipe revealed to others. Generally, these contractual agreements are unnecessary, as the copacker has a vested interest in satisfying his clients to keep their business. In addition, if a copacker developed a reputation of selling trade secrets, his business would suffer from a lack of clients.

Issues of Concern

1. Securing financing for product development and marketing
2. Securing a copacker to develop and produce the condiment
3. Developing packaging
4. Developing significant retail and institutional food markets

Securing financing

The condiment company was seeking financing to develop its condiment product and implement its marketing plan. The entrepreneur realized after inquiring a number of potential customers that it would need to package its condiment product in a number of very specific packages to meet individual customer needs. The entrepreneur needed capital to develop the various packages and their corresponding labels. The packages were constructed from both plastic and glass and ranged from single-serve to institutional packaging.

The entrepreneur realized that there would have to be a significant marketing budget to successfully launch the condiment product. This included a website, printed materials, and a budget for travel and sample products. The entrepreneur failed to plan for this expense and needed to find a source of capital to fund the marketing efforts. The entrepreneur worked with the Agricultural Development Center to create a marketing plan and implementation strategies. To secure financing for further product and package development and marketing, the entrepreneur realized that there must be a business plan. A business plan was developed that targeted local lending institutions.

Securing a Copacker

The entrepreneur successfully penetrated various markets for the condiment products but needed to offer a variety of packages. The copacker that the entrepreneur initially contracted with to create the product on a commercial scale lacked the necessary packing equipment to provide the various packaging options the market was demanding. In addition to various packaging sizes, the entrepreneur needed to package the product in both glass and plastic containers to meet potential customer needs.

The entrepreneur was successful in securing the services of a copacker with the necessary capabilities to package according to the different market needs. However, the copacker was not able to meet the price point set by the convenience store chain that was the entrepreneur's initial primary customer.

Packaging Development

The entrepreneur discovered that retailers, food service, and convenience store customers demanded products packaged to meet their specific needs. Retailers wanted packaging that is consistent with competing condiment products with regard to size and label design. The food service market demanded a larger product containing multiple servings. The convenience store market demanded small, individual serving-size packages so that customers could apply the product to the products they purchased at the store for immediate consumption (i.e., hot dogs). The demand for multiple packing caused the entrepreneur to seek a copacker with individual package capabilities. The original copacker had the capabilities to package for retail and food service but not to package the condiment in small, individual packs. The company experienced significant difficulty in identifying a copacker with this specific capability.

Market Development

The condiment company is a minority-owned business and pursued special programs aimed at providing special resources and opportunities. A large national food retailer offered a minority-owned business program that provided avenues for these businesses to access retail markets. The entrepreneur was working with the retailer to ensure that its products, pricing, and distribution system was compatible with the retailer's requirements.

The entrepreneur was also working with a regional convenience store chain operating in the mid-Atlantic states to provide the condiment free to customers. The convenience store required a single-service package so that customers purchasing hot dogs or sausages could either apply a single serving of the condiment in the store or take it with them. The convenience store offered to purchase the product for 80 plus stores if the entrepreneur could meet their packaging requirements.

Conclusion

The entrepreneur founded an innovative food company that experienced obstacles in both producing and marketing the product. The inability to secure a copacker who had the capabilities to produce a product at the needed price point, combined with the inability to meet stringent packaging and price point restrictions, has led the entrepreneur to step back and rethink the business model. The entrepreneur did not have the resources or access to the resources that were needed to construct and operate a processing facility that would allow it to produce its product to specification. As a result, the entrepreneur was unable to produce a product that met the needs of the market with regard to pricing and packaging.

Value-Added Timber Business

The Upper Cumberland region of Tennessee has historically been one of the more forested regions of the South. Large stands of mixed timber (primarily hardwoods) are prevalent throughout the area, and thriving logging and primary processing industries that focus on rough sawing with some drying for hardwoods and softwood utilization in products such as posts, guardrails, and building trusses have existed during the past several decades.

This timber operation is a primary processor of pine timber located in Jamestown (Fentress County), TN. The business is owned by 2 individuals and has 20 employees, although this number fluctuates throughout the year, according to logging conditions. In 2001, the firm purchased logs (primarily various species of pine) from over 300 loggers and transformed these logs into over 80 various post and guardrail components.

Because of increasing demand for its final products, a relatively large payroll, and an increasingly complicated method of purchasing inputs and selling products, the firm requested assistance from the University of Tennessee Agricultural Extension Service's Agricultural Development Center (ADC) to design and implement a financial record keeping system that would increase the owners' ability to profitably manage the business.

Issues

To ascertain the issues that initiated this request and the goals that the business owners wanted to achieve, the ADC faculty performed a management audit and led the managing partner and a key employee through an abbreviated strategic planning process. Upon completion of these activities, the following issues were identified.

Overall Record Management

Until recently, the business had maintained financial and management records by hand utilizing the usual complement of ledger books and handwritten receipts and tickets. Not only was this method very time-intensive to maintain, but also, the majority of the analysis of record for management purposes was performed by a local bookkeeper. Furthermore, not only did this fail to provide the owners with timely information, but it was also proving extremely costly for the business to have an outside contractor generate the reports. Furthermore, although the reports that were generated in this fashion were useful, additional information that was needed for effective business management was impossible to obtain.

Another issue that fit into this category was the recommendation by the firm's bookkeeper to purchase a nationally available financial record keeping software package that was not only relatively affordable, but also offered the luxury of being used by a large number of businesses in the immediate area. The company purchased the software and contracted for the services of several different accounting and computer consulting firms in the areas for implementation. However, none of the contracting firms had the expertise to configure the software in such a way that it produced the types of analysis that the business needed. As the company had abandoned its manual system in favor of the software, it was in worse shape than before.

Vendors

As previously mentioned, the firm purchased raw inputs (logs) from over 300 loggers (vendors). There were two issues that had to be addressed in record keeping system implementation.

First, while the loggers were selling logs to the company, logs that were suitable for various purposes were purchased for various prices. For example, a log that could produce a 7-in. square guardrail 8 ft. long was purchased for \$2.10. In contrast, a log that was not logged for a specific product sold for \$0.15 per estimated board foot (these logs underwent trimming that resulted in substantial waste). If the previously mentioned log that was suitably cut for a guardrail were purchased in this fashion, it would result in a substantially lower price to the logger.

Not only was accurate record keeping necessary to determine the amount that each logger should be compensated, but accurate records were also necessary to ensure that the individual loggers received correct purchase information (Internal Revenue Service 1099 forms) for use in individual income tax calculations at the end of the year.

The second issue that fell into this category concerned the geographic location from which the logs were cut. A massive tract of land that is a tremendous source of logs for the mill was owned and managed by the heirs of a 19th-century land and timber baron. The estate selected the loggers who worked its land and received a commission from the loggers on the sold timber that originated on its land. As one might well imagine, it would be very difficult for the estate to collect its commission from the 200 or so individual loggers that logged its property. Therefore, the estate requested that the mill withhold its commissions from the loggers' compensation checks and forward the appropriate amounts to the estate on a monthly basis. This further required that vendor records be accurate and easily accessible.

Employees

As previously mentioned, there were approximately 20 employees. Two employees were paid on a salary basis, while the remaining were paid on an hourly basis that included overtime for all hours worked over 40 hours per week. Employees had various deductions that had to be withheld from their paychecks and forwarded to other parties. These included garnishments, child support payments, and debt payments as well as the usual withholding taxes.

An additional issue is that the firm let its employees borrow money for personal vehicles, tools, etc. The implemented record keeping system was required not only to deduct this amount from the employees' checks, but also to maintain an accurate balance, even after the loan had been repaid (after the loans were paid off, the company began a noninterest bearing savings account for the employees by continuing to withdraw the amount of the loan payment from their paycheck to allow a wealth buildup to assist the employees in purchasing future assets).

Customers

For a company that deals with this relatively large variety of products, suppliers, and employees, the mill has a small number of customers. Because the posts and guardrails that are manufactured must be pressure-treated to withstand weather and insects, the mill's primary customers are pressure treatment facilities. However, even though there are very few customers, sales for 2001 were approximately $1.25 million and were made up of many orders for a large variety of product types. Therefore, an accurate, easily accessible record keeping system was necessary.

Conclusion

With input from the managing partner and key employees, the Agricultural Development Center designed and implemented a financial and management record keeping system based on the software that the firm had already purchased and also provided technical support on an as-needed basis. Although this endeavor was certainly a labor-intensive process, there were many benefits that were realized by the firm as a result of this effort. These included the following:

1. A user-friendly system that provided customizable and timely information to the owners so that better decisions could be made in the areas of business management and marketing
2. A substantial cost savings that was realized in the area of financial report preparation because the business owners could create the reports themselves and not depend on outside bookkeeping or accounting services to perform these services
3. Because the business owners no longer relied on outside services to the previous extent, it became necessary for them to become much more adept in analyzing the records stored in the system. This allowed them to more accurately evaluate the profitability of individual product lines, determine the vendors who were providing the most reliable source of product, and better control the costs associated with the business.

Agritourism Enterprise

One of the fastest-growing sectors in the agribusiness industry sector is agritourism. Many farm operators, rural landowners, and even rural communities are looking to this sector to save rural lands and reinvigorate rural communities. Beginning agritourism enterprises are in need of technical assistance and educational programming to help them develop a plan for effective marketing strategies.

This company is a destination ecotourism enterprise located in Grundy County, Tennessee. Although the land on which the operation is located was once used for the production agriculture and timber operations, years of misuse and the current economic situation forbid these types of enterprises from being profitable or even feasible. However, the land is blessed with a great deal of natural beauty and is located in an area that is extremely rural but in close proximity to five major metropolitan centers (Knoxville, Chattanooga, Nashville, Birmingham, and Atlanta).

The owners envisioned several different enterprises that could be established. These included primitive camping, hiking, mountain bicycling, birdwatching, spelunking, and hang gliding. In addition, the owners felt that there was a significant potential to hold various types of festivals on the property. Potential types of festivals include musical festivals (e.g., bluegrass, Celtic, blues) or cultural heritage festivals that celebrate the area's agricultural and mining histories.

Given the advantages that the owners felt the property and concept possessed and that outside incomes made the overall financial risk acceptable, the owners were adamant in pursuing an implementation of the business idea. However, they did recognize that information that would enable them to develop an effective marketing plan would be essential to the operation's success. Ascertaining this information was the service that the owners requested from the University of Tennessee Extension's Center for Profitable Agriculture (CPA).

The CPA faculty determined that two distinct customer profiles should be targeted because of the lack of commercial lodging located in the immediate area. These included persons who traveled to or through the area for business or pleasure and to the typical user of wilderness resort–type enterprises.

It is a cardinal rule of the tourism industry that success is primarily dependent on a high level of demand for the service as measured by the enterprise's occupancy rate. To achieve a relatively high rate with the types of customer profiles described above, the following strategies were offered.

Tennessee Vacation Guide Publication

This guide is distributed in all 50 states and several foreign countries. Inclusion in the guide is free, and the information contained in the guide is also posted on the Tennessee Department of Tourist Development website.

Brochures

Although it may seem to be one of the more mundane marketing methods available, brochures can be an extremely effective advertising tool if they are done correctly. An effective brochure must catch the potential visitor's eye and provide enough information to be useful. Although there are many places in which brochures can be placed, one high-visibility venue is Tennessee's system of visitors' centers and rest areas. Although there are strict regulations imposed on the brochures accepted for display, these regulations are good rules of thumb for designing brochures for any venue. The CPA has expertise in assisting agritourism firms in designing effective brochures that meet the aforementioned regulations, and this service was offered to this company.

Mass Marketing Advertising

Although paid advertising through mass media outlets is certainly an option for any type of enterprise, tourism enterprises can often take advantage of free marketing services through venues such as travel feature stories in major promotion markets, new business opening or seasonal opening news releases that can appear in more local outlets, and other types of news releases (such as the economic impact of the tourism or agritourism industry that may be available from studies commissioned by tourism or economic development departments) that are often sought by mass media outlets. The CPA developed a list of these options for use by the company.

Signage

Signage is a critical marketing activity for tourism-sector business, particularly for businesses located in extremely rural areas. There are several different options for signage, including billboards, local directional signage, and the Tennessee Tourist Oriented Directional sign program. Although the billboard industry has design assistance available for maximum effectiveness, and the state program has regulations that govern design development, local directional signage is developed at the discretion of the business. Because this often results in ineffective sign design and placement, the CPA developed a set of guidelines that Thunder Ridge was encouraged to follow.

Word of Mouth

An important marketing strategy is focused on the relatively small populations present in many of the activities that the enterprise is planning to offer. Although hiking, bird-watching, and mountain biking have relatively large populations that participate in these activities, activities such as spelunking, hang gliding, and primitive camping attract relatively few people, and these communities of interest typically maintain close contact. In these cases, positive experiences shared by previous visitors can prove to be the most effective form of marketing available.

Cross Marketing

The final marketing strategy offered by the CPA concerns the cooperation between tourism-related businesses in the immediate area. Although the operation's principals envision the enterprise as a destination for many types of activities, increased cooperation among tourism-related businesses in the area nevertheless provides a more desirable attraction for potential visitors to the area. The CPA faculty worked with the owners to develop an inventory of tourism-related businesses in the immediate area and assisted in identifying potential areas of collaboration that could occur. The firm was encouraged to explore these potential collaborations with the other business owners in the area.

Conclusion

This firm is in an enviable position with regard to site quality, development potential with regard to the types of services that the owners want to offer, and location with regard to major metropolitan areas. However, the company's success will depend on the ability of the owners to develop a marketing plan that will provide awareness of the attraction to the different target groups and overcome the challenges faced by the business's location, such as a lack of commercial lodging and restaurants.

Case Study Summary

These four case studies highlight a few of the problems facing agribusinesses in Georgia and Tennessee. Again, the transition from a producer- to a value-added agribusiness exposes these people to a new set of opportunities and obstacles. These obstacles must be addressed or a business will falter and may fail.

Agribusinesses must address management and labor issues as their business grows and they require additional labor. The additional labor and production create a financial analysis opportunity that needs to be aggressively addressed. Poor record keeping may hinder or restrict growth and the ability to be competitive.

Marketing is a key to the success of an agribusiness. Developing a marketing plan, product packaging, marketing channels, pricing strategies, advertising, and promotion are all necessary for success. These issues can be overwhelming, and the producer may not have been exposed to them prior to entering the value-added business.

A reliable and steady supply of product is required for the business to be successful. In many instances, the agribusiness has to operate near capacity to generate sufficient revenue to continue the business. However, if the agribusiness does not have sufficient supply to operate at near capacity, it will not receive the revenue required for a profit.

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