

farm to plate

NETWORK

DEEP-DIVE SESSIONS

4. Recipe for Success: Developing Value-Added Food Entrepreneurs

What will it take to foster more value-added entrepreneurs in Vermont? What are the existing market opportunities for small value-added start-ups? What are the particular challenges facing start-up food entrepreneurs? What are the financing and technical assistance needs? How can value-added processing address seasonality challenges of a short growing season? How can we accelerate deal flow between value-added producers and buyers? How do we create an entrepreneurial environment that enables more young people to become food entrepreneurs?

Facilitator: Ela Chapin, [Vermont Farm Viability Program](#)

Presenters:

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This session should be of interest to the [Aggregation & Distribution Working Group](#), the [Technical Assistance for Producers and Processors Working Group](#), the [Dairy Development Working Group](#), and the [Financing Cross-Cutting Team](#).

Moderator: Why support new or expanding value-added producers?

There is a statewide effort to ramp up local food purchasing, but we don't have the value-added processors to match the demand. We need a number of tools:

- 🍷 Production (such as food hubs)
- 🍷 Business planning (such as VADP)
- 🍷 R&D tools for product development
- 🍷 Finance tools (such as the Flex Fund) – value-added producers require a lot of cash for expensive equipment and facilities
- 🍷 Food safety tools (to understand regulations)

There is a lot of opportunity. The difficulty will be finding those who are willing to leave behind the security of a regular paycheck, health care, etc. There are only so many in Vermont that are going to pay top dollar for value-

added products; these products are more expensive while profit margins are not huge. Finding the route between Vermont and markets outside of Vermont is important for this sector. Working with retailers that offer more extensive marketing services is helpful.

In thinking about creating the kind of communities we want to live in, we have an ability to create a brand for Vermont as a creative place for young entrepreneurs.

Encouraging entrepreneurship represents an incredible opportunity to support and grow land-based enterprises.

Entrepreneurship has been shown time and again to link to healthy communities. One barrier is finance: bridging the stages of friends/family/fools and going to the bank.

Encourage entrepreneurs to talk to their markets to determine whether their products will sell.

From the perspective of land use and encouraging value-added production, when is this no longer farming? Farms enjoy zoning laws that are supportive of agriculture but those benefits are cut off when more the majority of income comes from a place other than land-based production. In the policy discussions around land use in agriculture, how can we have policy that is not a deterrent to value-added?

What are some indicators of a successful business?

Baseline characteristics for entrepreneurs: Passion, capacity for hard work, clarity in intent and mission but also flexibility, capacity for risk. Other important factors are: a product that really adds value, which translates into marketing, by adding creativity through recipe, approach, or some other uniqueness; and the willingness to learn.

There is a correlation between profit margin and scale of business. Knowing your costs for ingredients and production and your margins are critical. Counting your labor is part of this – it needs to be counted as a cost.

Financing is a challenge. Working capital is the most difficult piece of financing.

Not everyone can be an entrepreneur.

Leadership is an important piece, particularly as a business grows. They need high levels of ability, reliability, and integrity. While lending has a certain set of characteristics we're looking for, it ultimately comes down to character.

Food consultants are critical to help you understand food science and food safety. These skills are developed over the years with knowledgeable assistance.

Life as an entrepreneur is a never-ending series of challenges.

The two entrepreneurs on the panel are talking a lot about their costs; being aware of your costs is critical.

How has product price been a factor?

Some retailers have lists available (or the knowledge to tell you) about local products they need or don't need. Retailers and restaurants know their gap. From that, what is your land set up for and how can you go about meeting some of those markets? Talking with you market to understand their needs is critical because you can't intuit this information.

Higher margin-lower volume / Lower margin-higher volume. There seems to be more value in the latter. Higher volume accounts allow you to be a better employer (more reliable work for employees).

Help the entrepreneur think about aligning their scale with their intention is something we can do as TA providers to help.

What successes and lessons learned come from the cheese industry?

Nationally we have gone from a little over 400 producers in 2006 to somewhere in the 850-900 producers nationally. NY in number 1, ME is number 2, PA is number 3.

Food safety is one of the most pressing problems, regardless of what state you're in. (FSMA)

Cost of production challenges that don't currently exist, like government insistence that every batch of cheese is tested. Or even more than one test. Raw milk cheese - the worry in Europe is that, if they can't be knocked out with legislation they'll instead be knocked out by new layers of cost for product testing and food safety standards.

There is concern of market saturation in Maine. Can the market continue to absorb that much new product?

Dried cured meat has a lot of stringent regulations - more so than cheese - but is another important value-added opportunity.

USDA only tells you when you're doing it wrong, and by then you've got a backlog of product that has to be written off. The state level is easier to work with.

Support is needed from scientists, experts, land-based extension agents, other TA providers who are working in a laboratory closer to Vermont. Part of the reality of these products is we need that kind of support? The loss of the food safety expert at UVM has been huge; the university is either being slow to replace her or not at all.

The challenge of finding resources and support:

Many value-added producers in niche markets are in fact the experts in their field, but they still need someone to go to for help. We may look outside of Vermont for this. The tricky part of creating a new food system is we are the leaders, but we need resources too.

Equipment is often needed at a scale that isn't available at commercial scale. We need technical assistance like engineering from UVM extension (and more skilled assistance like this) to find and install equipment that works for our scale.

Sourcing

Decisions around sourcing can challenge your intention at times, such as when your product is marketed as 100% goats' milk and a farmstead product, but it is too costly or otherwise prohibitive or just doesn't make sense to work that model.

The group broke into table discussions to identify ways to support entrepreneurs and shared one idea from each group:

- 👉 Align the careers that support our producers, since this is currently a job that is attractive to many people. We also need to tell the story that being a recipe developer, food safety expert, lender, or others is also "cool." These support service roles are needed just as much, and are additional ways that young people can get involved.
- 👉 Expanding the City Market needed/not needed list and making it more widely available at a centralized location to let potential new producers know where the current opportunities are.
- 👉 Give budding entrepreneurs an amount of money to start their own company.
- 👉 Emphasize the value of proper marketing and providing assistance for this to entrepreneurs, and clarifying what the Vermont brand means and how to use it.
- 👉 Centrally locating all the resources available around the state to see what all of the different service providers offer. (The Vermont Food Atlas is meant to get to that point, so some of the pieces are in place.)
- 👉 We need to bring these resources to where the entrepreneurs are, rather than leaving it to them to go and find these resources.
- 👉 Having a day for service and capital/financing providers to come together and talk to each other about what each of us does.
- 👉 Creating a farm credit union.

Themes

- 👉 Great opportunity
- 👉 Driven by a desire to feed ourselves
- 👉 Store shelves without a lot of Vermont value-added products on them
- 👉 We're building healthy communities by producing local food; entrepreneurship is part of strengthening communities
- 👉 The keys to success were fleshed out
- 👉 Product price and knowing your markets
- 👉 Aligning your intention with a scale (Is part of your intention to make enough money for yourself or to build an enterprise?)
- 👉 Technical assistance around food safety is helpful and at times we are the leading experts in this area and we may need to look outside of the state, region, or country for resources
- 👉 Technical assistance with food safety, equipment, access to land, financing, and system-wide business planning are critically important

Takeaway Messages:

- 👉 Lack of technical assistance support is evident (e.g., Londa Nwadike); need more Chris Callahans. How does UVM Extension understand the lay of the land? What Extension personnel are missing?
- 👉 On the other hand, Vermont producers and processors are frequently expert on value added products even when we think we need help. People from throughout U.S. look to VT.
- 👉 Continuing need to educate food system businesses about TA / business planning support that is available.
- 👉 Understanding the regionality of the market; exporting products to higher wealth consumers = better profitability at home.