

*3 benefits and 3 cautions
regarding producing and
selling value-added food
products .*

Peter Marks



Your turn first: What are the benefits?
Why is this subject of interest to you?





Did we get the same answers?

- Overcome perishability
- Year-round sales season
- Higher retail price
- Easier transport / export
- For farm produce: a use for harvests below quality standards for the fresh market
- Packaged goods give you a platform for establishing a brand name
- Support multiple suppliers, possibly for multiple ingredients

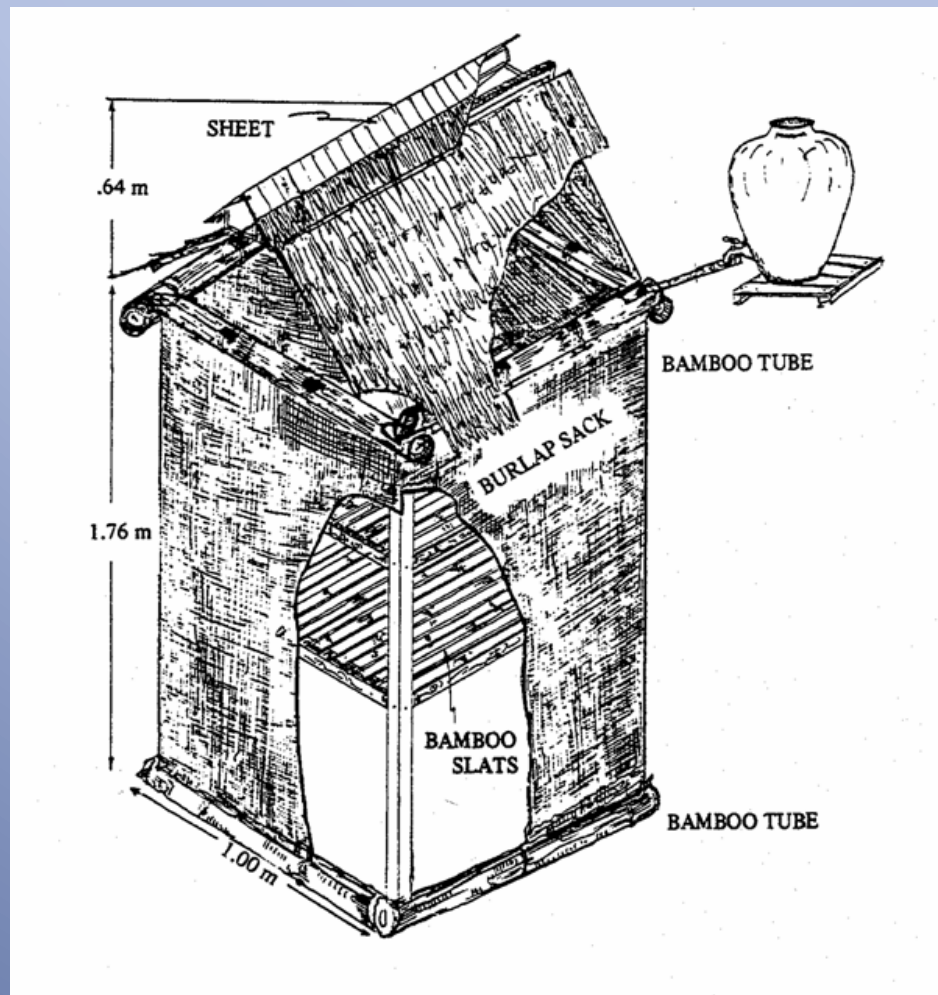
My favorite benefit: adding value can better meet buyer specs for the base product.

Example 1: Standard Case Packaging



2: Wash/Grade/Cool





Source: FAO: “Small-Scale Postharvest Handling Practices.”

3. Labeling



4. Retail-friendly Packaging



This is the “minimal value-add.”

What is the
smallest thing you
can do to add value
to the basic farm
product?

Caution #1: Competition

This caution especially for perishable products.

For a fresh raw product, especially in more isolated areas, you have the “closest to the customer” advantage. You can produce a fruit, vegetable, animal product, etc., and deliver it at higher quality to customers closer to home for a lower price. This is the recipe for a successful business model, when it comes to issues of competition.

Caution #2

Expenses, especially in relation to competition.

The more elements, ingredients, and production steps you add to a product, the wider the cost gap between the small producer and the large producer.

- You pay more for each of your added ingredients than your big competition does.
- You pay more for your package and carton.
- You pay more for your label.
- You pay more for the labor to process and package the product. If you are not counting your OWN labor because you are not paying cash for it, that is a business planning error.
- Your production cost for your base ingredient is probably higher as well. When you had the “freshness advantage” you could overcome that. Once you create a processed food, your higher farm production cost becomes an issue.



\$6



\$2

Caution #3

Beware of subsidizing value-add projects.

If we “help” small producers by bringing in grants, subsidies, early-stage guaranteed buyers, free equipment donated by well-meaning people, etc., we encourage (and make producers and workers dependent upon) an unsustainable business model.

Only provide the “seed money” when the path to a self-sufficient business model is clear and viable.

And when you are not undermining/underpricing the local competition (real or potential).

Caution #4

Quickly growing to reach new buyers is great, but usually exposes serious skill and experience gaps for the business owner/operators.

Back to the punchline:

What is the
smallest thing you
can do to add value
to the basic farm
product?

Start here.

Keep in Touch

Peter Marks

Seed Programs International

828-707-1640

Skype: petermarksspi

peter.marks@seedprograms.org



seed programs
international

Vegetable Seed Catalog
2015-b



Results from SPI seed, with other produce. Central African Republic.
Partners: Assomessa, Child First Med.

Sow Seeds to Fight Hunger

© 2015 Seed Programs International • www.seedprograms.org • 828-458-5288

1

Find our seed catalog and many other resources and stories at www.seedprograms.org.