



One Bite at a Time: Virginia and North Carolina Food as a Business Program

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Introduction to the Virginia and North Carolina Food as a Business Program

We aim to provide producers who want to branch out into value added products within North Carolina and Virginia with the information necessary for the creation of a successful food business proposal. The purpose of this publication is to introduce the [Food as a Business](#) program that walks potential business owners through the critical steps for development of a successful business, including the following key components: business planning, marketing, food safety, financial risk mitigation, and legal risk mitigation.

Discussions with Virginia Cooperative Extension specialists and agents revealed that there exists an information gap between the public and academic sectors. Consequently, potential food business owners overlook the time and resources required to develop all aspects of the enterprise, leading to business failure. We determined this problem is twofold - an increased interest in value added products and the downsizing of extension services.

Our web-based Food as a Business curriculum is intended to bridge the information gap that exists between the public and academic sectors. We seek to provide aid to potential business owners and ensure a better understanding of the financial and legal risks unique to

food-related businesses. Upon completion of this program, participants will possess a set of written plans outlining their business plans and the resources they need to take concrete steps towards bringing the operation to life. This will allow time-constrained Extension specialists and agents to provide critical feedback and assistance targeted to meet the needs of their client. In addition, any potential partners to the new business, such as co-packers or bankers, will have the information they need to join the venture.

Motivation for Online Educational Programming Efforts

Online programs have proven to be effective as in person learning programs if the participants expend effort in the learning process. In a flipped classroom model, retention rates are slightly above classroom models, but not significantly enough to render a complete change in the education system.(Harrell & Kotecki, 2015). It is difficult to find online education systems solely relating to agriculture. However, there is a veterinary medicine school providing the same results as the aforementioned flipped classroom outcome (Dooley, Frankland, Boller, & Tudor, 2018). One advantage is the continual user access to the online material. Continual access as opposed to one time in person only access to lessons is more beneficial to participants.

Module based learning has worked quite well for those to whom English is a second language. Many of the online education sites that exist for agriculture are mainly to learn English, specific regulations, and terminology (Shaw, Dzubak, Strohbehn, & Naeve, n.d.). The expectation is that participants come into this course with the intention of learning which increases course completion rates. As found in previous studies, a student's commitment correlates to better retention and application of material. Use of flowcharts designed to inform

users of their progress will improve website understanding and allow for straightforward revisions of their plan.

We are targeting producers who choose to branch out into the value-added market for food products. The intent of the Food as a Business program is to reduce business failure rates and increased long-term viability of small food businesses. We assume participants have access to reliable internet and are willing to complete the readings and complete the forms provided. Challenges to the success of a web-based program is limited access to high-speed internet in rural locations and, the lack of familiarity and/or low comfort levels with online classroom environments.

To detect and prevent problems, we assess the online materials and course daily. The number of website hits are recorded, repeat uses measured, and potentially confusing information identified. Should a portion of information appear confusing or unaccepted, we will revise to meet user needs. An online program allows educators to update relevant information in real-time, such as packaging and label specifications and food safety regulations.

Motivation for the Virginia and North Carolina Food as a Business Program

A major constraint preventing the movement of local foods into mainstream markets was the lack of distribution systems (Matson, 2013). Over the past decade there has been a substantial increase in local and regional food marketing channels, closing the gap between local food and mainstream markets. Since 2007 there has been a 150% increase in farmers' markets and a 250% increase in regional food hubs (Grigsby, 2016). This increase in local food marketing channels has indirectly resulted in a romantic viewpoint of value-added products and

related agritourism venues evidenced by growing popularity of craft micro-breweries, wine tasting room, meals hosted on the farm, etc.

Unfortunately, many small-scale food businesses and agritourism operations are funded by non-farm income sources, rather than developed as for-profit entities. It is important that prospective business owners connect with industry and academic experts to gain education and knowledge needed to undertake the necessary steps to create a profitable business.

Since 1980, there has been a 20 percent reduction in the number of local extension agents employed within the Appalachian states. In 2010, North Carolina and Virginia reported the lowest number of extension agents per 1,000 farms, recording fewer than five agents (Wang, 2014). Extension funding has steadily shifted to state funding sources alone. State agencies are unable to compete with the wages offered by the industry, resulting in the “poaching” of extension agents by industry and other agencies. States have not been able to replace agents as they retire and/or move to new positions, resulting in a great loss of institutional knowledge. Most extension agents are thinly spread over Virginia and North Carolina with some agents covering 4-6 counties. Our online learning program will help to close this gap by providing the information and resources to both prospective business owners and Extension agents.

There has been a history of success with similar Extension programs that aim to aid potential business owners in their quest to create a successful business. [Robert M. Kerr's Food and Products Center](#) at Oklahoma State was created 20 years ago. Since its creation, it has aided 4000 people, and in 2006, generated a total sales effect (generated revenue) of over six billion dollars (McConaghy, 2007). The Food and Products Center features a university value-added food processing center and aims to “to bridge the gap that sometimes exists between

academics and the private sector by offering large and small businesses, producers, and entrepreneurs' access to faculty and staff with expertise in business and technical disciplines”.

Similar programs in Virginia include the [Virginia Fairs Foundation for Agriculture Innovation and Rural Sustainability](#) and the [Virginia Food Innovation Center](#) (VA FIC). The Virginia Fairs Foundation has aided over 100 producers over the past three years. This program primarily focuses on the creation of business plans and writing of grants. The Virginia Food Innovation Center aims to “provide the assistance needed for Virginia’s food processing industry to produce high quality, safe, and innovative food products”. The VA FIC has tested products for 200-400 people annually and touched the lives of an additional 400 - 600 people annually.

Description of the Virginia-North Carolina Food as a Business Program

The specific objective of our program is to help potential business owners to create five different plans needed for the creation of a successful business: business plan, marketing plan, financial risk mitigation plan, legal risk mitigation plan, and food safety plan. Our program is an online learning program that walks users through the steps necessary for the creation of a successful business.

Potential business owners generally start at several points along the process at once and therefore frequently end up skipping steps. To manage this problem, the VA-NC Food as a Business Program will be organized linearly into six different stages, which must be completed in sequence. Completion of this program is expected to take an average of six months but may be expanded or adjusted as needed.

Stage 1: First Step to Starting a Food Business

The first step is tax research. This includes federal and state income taxes; state and local sales tax permit. Our website will include links to aid users in finding the correct information. Next will be legal research. This research will target information related to copyright regulations, patents, creating a trademark, deciding on a business structure, licensing, permit, and zoning regulations related to the chosen business structure. Once a business structure is selected, users will be asked to provide extension details on the product they wish to sell.

Product research is divided into 6 categories: general product information, the position of the product in the market, how and where production will occur, where and how distribution will occur, the price that will be charged, and how the product will be sold. There are several questions users must answer under each category. Once the user has solidified their product idea, they will create a logo for their product. Visual representations and publications with useful examples and directions help users create their logo. The next steps in the process are product registration and selection of a business name.

Stage 2: Support Networks

Support networks are very important when creating and managing a business. There are several key resources potential business owners need throughout the planning and early stages, such as a qualified mentor, an insurance agent, an attorney, a bank/banker, and an accountant. Our program resources will provide tips on how to select and collaborate with the agents. The last step in this stage is to explore professional organizations related to the product and join supporting entities such as local chambers of commerce.

Stage 3 - Getting Ready to Go

This stage is extremely vital to business creation. In this stage users will be led through creation of a business and a marketing plan. Users are advised to select an office space for their business and tips are provided in program resources.

Stage 4 - Financial and Legal Preparation

Now that an attorney, insurance agent, banker, and accountant are recruited into the business creation process, it is time to create the Financial Risk Mitigation Plan and the Legal Risk Mitigation Plan. Financial planning and management are crucial to the business development process yet commonly misunderstood or neglected. It is important that potential business owners understand their cash flow needs on a monthly basis. Accountant and banker partners are essential to advise creation of a record and bookkeeping protocol and a business bank account. Insurance company and policy selections are based on the legal risk mitigation plan identified by the business owner. Once the user has a clear understanding of their legal and financial needs, instruction on product pricing is provided.

Stage 5 - Physical and Operational Set Up

At this stage, the backbone of the business has been created. The fifth step is the creation of a Food Safety Program, which includes Hazard Analysis and Critical Control Points (HACCP), Good Manufacturing Practices (GMPs), and Sanitation Standard Operating Procedures (SSOPs). Users are guided step-by-step through this plan to ensure each food item will be prepared, packaged, shipped and tested in accordance with local, state, and federal guidelines,

as well as any needed third-party testing protocols

Stage 6 - Marketing and Promotion

At this stage of the program, users enact their marketing plan and identify their product, packaging, place, pricing, and promotion strategies for their business. Completion of the 6th stage indicates the user has completed all advance planning, partnering, financing, safety protocols, and promotion details, and is ready to move their business into a reality.

A formal evaluation of our program is conducted via a questionnaire sent to users at the end of the 6-stage online program and via follow-up emails 6 and 12 months beyond program completion. A question and comment forum is located on our website to allow a communication loop between users and administrators so the website can be tailored to the needs of the users.

Concluding Remarks on the Virginia-North Carolina Food as a Business Program

We are creating an online food business educational program to assist Virginia and North Carolina producers and their partners in the planning process. Given the relatively low numbers of extension agents in this region and limited time available to food science agents who are thinly spread across several counties, we expect to reduce pressure on the local agents. Prospective food business owners who have completed the Food as a Business Program are better prepared to discuss their needs with agents and partners, improving the productivity of these conversations and progressing into the operational phase. This project provides the foundation for an online learning program as a stage one approach to educating potential business owners, and, lay the foundation for efficient and effective stage two in-person meetings and workshops.

For more information about the VA-NC Food as a Business program, please contact:

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Resources

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