Adding Value to Agricultural Products
Basics of Value-Added

- Value-added impact vs. farm gate value
- Next stage of production
- Examples of value-added
  - Retained ownership of calves
  - Value enhancement via cooperatives
Customer Value

- Customer benefits versus product/service price

- The more benefits received relative to price, the more customer value increases

- Customer’s perception of value

- Not the producer’s perception of value

- Low price, greater value? Not necessarily

- Everyone perceives value differently
Product Benefits Arise From

- **Quality** – Does the product or service have the “right” quality that meets or exceeds customer expectations?
- **Functionality** – Does it provide the function needed of it?
- **Form** – Is the product in a useful form
- **Place** – Is the product in the right place?
- **Time** – Is the product in the right place at the right time?
- **Ease of Possession** – Is the product easy for the customer to obtain?
Other Factors Affecting Value-added

- Consumer tastes and preferences
- Higher incomes
- Convenience, quality, and variety
- Service, health, social, and consciousness
- Demand for their time
Key to Success

- Identify your market segment
- Know your customers
- Identify the benefits potential customers desire
- Identify customer purchasing criteria
- Each business enterprise is a value chain
- Adding value to the product
- Develop a business plan
  - Operations plan
  - Personnel plan
  - Sales plan
  - Management plan
  - Investment and financial plan
Examples of Value-Added Products

- **Wheat**
  - Feed products
  - Wheat straw and building materials
  - Graze wheat
  - Convert to organic foods

- **Woody plants (cedar/mesquite)**
  - Cedar fiber: boards and recap oil wells
  - Mesquite: boards, jewelry boxes, lawn furniture, floor molding
  - Sawdust: fiberboard

- **Fed Beef Industry**
  - Retained ownership
  - Speciality products: sausage, tamales, menudo, and tripas
Summary

- Adapt to market changes
- Be open-minded
- Think as a resource manager
- Develop alliances