



Mastering Marketing

VOLUME II, ISSUE I

FALL 2008

SPECIAL POINTS OF INTEREST:

- Buying an Existing Business
- Promoting Local
- Upcoming Meetings

2009						
January		February		March		
Mo	Tu	We	Th	Fr	Sa	Su
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	
April		May		June		
Mo	Tu	We	Th	Fr	Sa	Su
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			
July		August		September		
Mo	Tu	We	Th	Fr	Sa	Su
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27	28	29	30	31		
October		November		December		
Mo	Tu	We	Th	Fr	Sa	Su
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Equal access programs

Buying an Existing Business – Look Before You Leap



An existing business can be a great investment and a fine way to become an entrepreneur. But beware - better look before you leap.

Jim and Mary were attending a Dairy Field Day when they were approached by a small, on-farm cheese processor who lived about two hours from their farm. He took them aside and told them his cheese-making business was for sale. He said he was selling it due to family stress and a lack of available

labor to help with marketing and distribution. He said he had decided to talk with several producers at the Field Day; He thought might be interested in adding a value-added enterprise to their operation. He was only asking \$150,000 for the entire business, including all the cheese-making equipment, his customer list, and his contacts with local, state, and federal regulators.

That evening Jim and Mary discussed the man's proposal with their son, Dan. He wanted to

join the family dairy business and they had been looking for additional income-patching opportunities to make this move possible. Buying an existing business with its immediate revenue, inventory, operating equipment, and known sales records, can be a fine way to get into a new business. Thinking they were driving a hard bargain, Jim called and offered the owner \$120,000 for the business.

Jim's next call was to his banker to start the

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Worth the Gas and Time to Attend

Winter and early spring meetings jockey for space on your calendar. So many meetings, so little time. Here are two events that are worth your time, travel expenses. They are packed with ideas and implementation practices to increase profitability and stewardship. Put them on your calendar now.

10th Future Harvest CASA Annual Conference

"Connecting Local Food, Farms & Communities"

January 16-17, 2009

NEW LOCATION – Frederick Holiday Inn & Conference Center, 5400 Holiday Dr., Frederick, MD

Pre-Conference Session – Agritourism & Rodale Institute Presentations — Keynote Speaker– Nina Plank

Sessions feature: Sustainable production, growing nitrogen, marketing, grain & hay, growing new farmers.

Contact: Jack Gurley giftcal@aol.com

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Worth Time and Gas continued...

Changing Ag Markets Series in conjunction with Baltimore County Extension presents:

Food Processing:

Moving from Concept to Consumers

Wednesday, March 11, 9:00 AM—3:30 PM

Friendly Farms Restaurant, Upperco, Maryland



“The potential for on-farm processed foods in Maryland is unlimited”

Robin Way
Rumbleway Farm

Workshop designed by farmers for farmers:

- ◇ Presentation by Billie Best, North Egremont, Massachusetts, untangles who regulates what.
- ◇ Get an overview of the strengths and weaknesses of on farm processing.
- ◇ Meet regulators and licensing agency reps.
- ◇ Successful on-farm processors– Hear how they did it.
- ◇ Information on product branding, marketing and distribution.

For more information contact Ginger Myers, Regional Marketing Specialist, University of Maryland Extension, 301-432-2767, gsmyers@umd.edu This workshop is funded by a grant from the Hughes Agro-Ecology Center and USDA.

Farmer's Share of Retail Food Dollar

April 2008

Product (unit)	Retail Price	Farmer's Share	Change
Multi-purpose Flour (5 pounds)	2.89	1.05	-
Bread (Wonder, 1 pound loaf)	2.79	0.21	-
Wheaties cereal (General Mills, 15 oz box)	4.95	0.16	-
Milk (1 gallon, fat free)	4.48	1.44	-
Potatoes (Russet, 10 lbs.)	3.29	0.88	+
Potato Chips (Lays Classic 13.5 oz)	3.29	0.08	=
Cheddar Cheese (1 pound)	5.49	1.76	-
Boneless Ham (per pound)	4.29	0.41	=
Bacon (1 Pound)	3.29	0.41	=
Top Sirloin Steak (1 pound)	7.99	0.85	+
Eggs (1 dozen AA-L)	3.99	1.03	-
Carrots (fresh, 2 pounds)	1.89	0.52	=
Lettuce (head, 2 pounds)	1.79	0.42	+
Beer (can, 6-pack Miller Light)	5.05	0.11	=
Soda (2 liter bottle)	1.49	0.09	+

*Retail prices are based on store brand except where noted from Safeway, Washington, D.C., April 30, 2008. Change is in relation to the farmer's share from the previous month.



Buying an Existing Business continued...

process of securing a loan for their purchase using their existing operation for collateral. The loan officer recommended that the bank’s business appraiser take a look at the business first and then consider an offer based on the enterprise’s books and records.

The appraiser talked with Jim, Mary, and Dan about their business and family goals. Then he interviewed the seller, visited the operation, inspected the equipment, and reviewed the company’s finances. Based on his findings, the bank valued the business at \$85,000. The equipment was old with limited processing capacity, the customer base had dwindled dramatically as distribution and delivery problems escalated, and there were several accounts payable over 120 days and aging. Additionally, the business wasn’t generating enough profit to support even one-full time employee. Jim immediately called the business owner and rescinded their offer.

Fortunately, Jim and Mary’s lender provided a valuable service in appraising the worth of the business. If you are considering purchasing a business, your lender, a trusted business associate, or you will need to perform a thorough analysis of the business’ true worth. Here are some guidelines to follow when buying a business:

- ◇ Develop your plan for this new business. Does this business match your personal and financial objectives? What do you expect from this business? What are you willing to risk and how much time can you devote to learning and running the business?

- ◇ Consider the contact source for the business being offered. Is it reliable? You can locate businesses for sale through a broker or industry support agencies.
- ◇ Go visit the business seller. Ask to see the financial statements, a list of customers, prices, ask the reason for selling, and check the existing product inventory.
- ◇ Review the facility closely. Is the equipment in good shape or will considerable capital investment be needed to keep the business running?
- ◇ Are there any legal actions pending against the present operation and is there a business lease or mortgage on the property?
- ◇ If an agreement is reached, have an attorney draw up the sales agreement and research state records for any liens on the property for failure to pay debts.
- ◇ Before signing a sales contract, the seller should present a final count of assets, including inventory.

Purchasing a business is an exciting and challenging undertaking. But, carefully analyze exactly what it is you’re buying. No one wants to buy someone else’s business problems.

The Inside Quote

“I have not failed. I’ve just found 10,000 ways that won’t work.”

Thomas Alva Edison

My Best Marketing Idea



Got a great idea or tip for marketing all those zucchini or how to sell more grass-fed meat? Submit your idea to the “Mastering Marketing” newsletter. If its selected for publication, we’ll mail you a copy of the new fact sheet, “Niche Marketing– Out of the Box, but in the Black.”

Experience is the best teacher. Share your marketing lessons in the Winter edition of the winter edition of the “Mastering Marketing” newsletter. Please submit your ideas by November 14.

Email your tips and ideas to Ginger Myers, Regional Marketing Specialist, gsmyers@umd.edu.

FYI ...

This sign outside Blue Ridge Meats refers to the recall of 143 million pounds of beef produced by a large California meat supplier. Winchester, Virginia area suppliers say small, local businesses give consumers a better chance to understand where and how their meat was raised. This story was featured in the March 22 e-edition of the Winchester Star. Story by Stephanie Mangino. Photo by Scott Mason. What have you done lately to help educate consumers about locally grown foods?

Mastering Marketing is published quarterly by the University of Maryland Cooperative Extension. It is written and edited by Ginger S. Myers, Regional Marketing Specialist, at the Western Maryland Research and Education Center (WMREC), 18330 Keedysville Road, Keedysville, MD 21756, tel. 301.432.2767 x338; e-mail gsmyers@umd.edu or sbarnes6@umd.edu.

Visit <http://AgMarketing.umd.edu> for more information on the agricultural marketing program. For more information on WMREC, visit <http://wmrec.umd.edu>.

Comments and suggestions regarding the newsletter are always welcome. References to commercial products or trade names are made with the understanding that no discrimination is intended and no endorsement by University of Maryland Cooperative Extension is implied. Articles and photographs can be reprinted with permission.



Useful On-Line Marketing Resources

New Tool Tracks Produce

Consumers who want to know where their apple or bunch of broccoli might have been grown can check out a new online resource that tracks the origins of 95 different fresh fruits and vegetables typically sold in U.S. supermarkets.

The new web site tool, "Where do your fresh fruits and vegetables come from?," was developed by the Leopold Center for Sustainable Agriculture and the Center for Transportation Research and Education at Iowa State University. Find it at: www.leopold.iastate.edu/resources/fruitveg/fruitveg.php.

Maryland's Online Farmer's Market – Foodtrader.org

The Environmental Finance Center located at the University of Maryland announces the launch of Foodtrader.org, a virtual farmer's market that will connect both buyers and sellers with local food as soon as it is harvested. In concert with its sister site, Agtrader.org, Foodtrader.org will give consumers access to the rich diversity of agricultural resources within the state of Maryland. It is a free website for Maryland that complements the Maryland Department of Agriculture's "Maryland's Best" program.