



# Value Added Products: Marketing & Regulations

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# Topics



- Why get into value-added products?
- Marketing Principles
- The Regulatory Issues





# Why get into value-added products?



- Capture returns from product differentiation
- Generate sales from surplus product
- Expand product line, draw more consumer attention
- Generate year-round sales
- Expand market outlets







# 4Ps OF THE MARKETING MIX



- PRODUCT
- PLACE
- PRICE
- PROMOTION



# PRODUCT

- Features, such as
  - Organic
  - Locally grown
  - Heirloom variety
- Product name
  - Standard of identity
  - Marketability
- Farm/brand name--trademarking
  - <http://www.uspto.gov/trademarks/basics/index.jsp>
- Packaging--the ultimate marketing tool



# PRODUCT LABELING



- FDA'S Food Labeling Guide
  - <http://www.fda.gov>
    - [General Food Labeling Requirements](#)
    - [Name of Food](#)
    - [Net Quantity of Contents Statements](#)
    - [Ingredient Lists](#)
    - [Nutrition Labeling](#)
    - Claims



# PLACE



- Farmers markets
- Farmstand/farmstore
- CSA
- Fairs
- Grocery
- Specialty retail
- Foodservice
- \_\_\_\_\_



Kruger's  
Jam  
Honey Syrup

Kruger's  
Jam  
Honey Syrup



# HOE-DOWN

FALL BARN DANCES  
~ IN THE STORE ~

OCTOBER 7 → THE NEW  
IBERIANS

OCTOBER 14 → SQUARE-  
DANCE

OCTOBER 21 → LISA AND  
HER KIN

OCTOBER 28 → SQUARE-  
DANCE

## SATURDAY NIGHTS

MUSIC STARTS @ 7:00 PM  
BONFIRE, HAYRIDES, CORN  
MAZE



# BIRTHDAY PARTIES AT KRUGER'S



HAYRIDES  
BERRY PICKING  
PRIVATE PICNIC  
AREA

TALK TO SUSAN FOR INFO







# POSITIONING



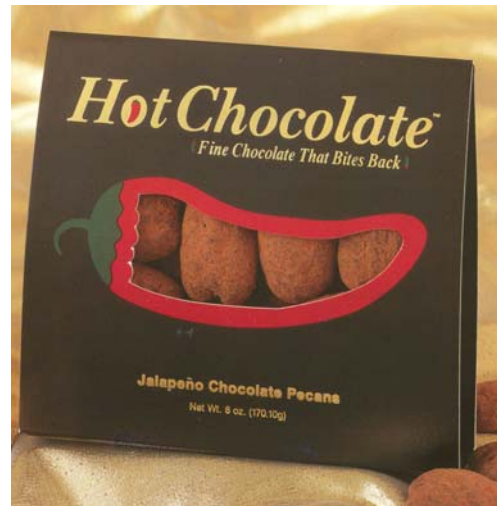
- A theme, a message conveying meaningful **differences** that ***distinguish*** your product from your competition using the 4Ps
- Your positioning should be a decisionmaking tool
  - where to distribute, what product features, how to price & promote



# POSITIONING STRATEGIES



- Product features
  - organic
  - hot
- User category
  - Adults
  - Environmentalists



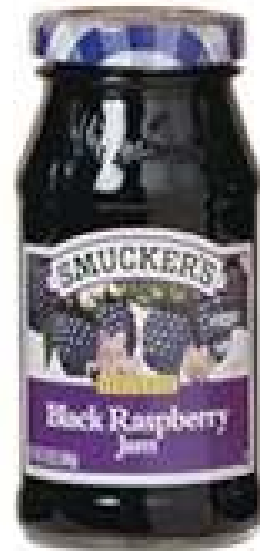
# Introducing the first soda for grown-ups

Not Too Sweet  
Distinctive Flavors  
100% Natural



- All natural ingredients
- Contains real juice and extracts
- Lightly sweetened with cane sugar
- 90 – 95 calories per 12oz.
- No caffeine
- Kosher





Perfect spread on fresh-baked bread or crispy toasted bagels. Use as an ingredient in your favorite recipes.



# POSITIONING



- “Place Based”
  - Locally grown
  - Made in \_\_\_\_\_
  - Direct from our farm



**Estate Satsuma Mandarin Marmalade**  
Satsuma Mandarins, with their bright flavors, are one of winter’s highlights. Our farm is blessed with two prolific trees whose fruit we blend with our Navel oranges to make this wonderful marmalade.



# DIFFERENTIATION



- The outcome of positioning
- To differentiate is “the act of making something different from that which surrounds it”
  - to get consumers to notice it
  - to convince consumers to buy it
- “Effective differentiation...can be a matter of business life and death in the specialty food world.”--founder of Zingerman’s

Market, Distribute, and Profit  
from Your Kitchen Creation





# **FOOD SAFETY FOR PROCESSED FOODS**



# Safety Issues - Hazards



- **Biological**
  - microorganisms (bacteria, viruses, parasites), plants, animals
- **Chemical**
  - allergens: especially dairy, egg, nutmeats
  - heavy metals, toxins, unapproved chemicals
- **Physical**
  - rocks, wood, plastic, metal, glass



# From Kitchen to Market



- In California you cannot manufacture or hold food in your home for sale
  - exception: charity bake sales
- Issues of inspection
- Ability to manufacture under Good Manufacturing Practices
  - sanitation particularly difficult at home

# If you sell processed foods, regulations depend on where you sell

- Make your own, only sell your own to ultimate consumer (e.g., farmstand, farmers market)
  - Subject to County Environmental Health (each county sold)
- Others sell your product but only in California
  - Subject to State CA Dept of Public Health
- If you or others sell your product within AND outside California
  - State AND Federal (FDA and/or USDA)



# Commercial Food Facilities



- Commercial Kitchen
  - Meets Food Code (California Retail Food Code – 10/09) requirements
  - Can register as a processing facility
- Food Processing Plant
  - Meets Good Manufacturing Practices Regulations
- Co-packer





# CA DPH – Food and Drug Branch



- Regulates the manufacture, storage, labeling and advertising of many foods
  - All foods and bottled water except:  
meats (most) and dairy
- Laws are in the California Health and Safety Code
- Enforcement of CA and Federal food regulations



# CA Dept. of Public Health Food & Drug Branch



- Foods that are “**low acid canned**” or “**acidified and canned**” to prevent the formation of Botulism Toxin must be done in a **California-licensed cannery** regardless of whether they are direct marketed
  - Acidified food-- pickled vegetables, salsa, relishes, pesto
  - Thermally processed canned foods
  - Requires training in Better Process Control School
  - Separate registration, product and process submission and evaluation, batch and record inspection



# Cannery Regulations Exercise



- Is your product shelf stable (canned or bottled)?
  - YES
- Is the water activity  $>0.85$ ?
  - YES
- Is the pH  $>4.6$ ?
  - YES - low acid canned food
  - NO - possible acidified low acid canned food
    - E.g., pickled vegetables, salsa, relishes, pesto
- Exemptions: naturally acidic (e.g., peaches), microbially fermented (e.g., dill pickles), jams and jellies, some dressings/sauces



# Acidified Low Acid Canned Foods



- Fall under cannery regulations, food service not exempt
- Low acid foods are combined with acids or acid foods to reduce the pH to  $<4.6$
- Risk of botulism if pH is not controlled
- Process/product evaluated by the state to determine if it is under “pH control” program
- If yes, then the following applies:
  - Processor must have cannery license
  - Person who has taken BPCS must be on site during processing
  - pH must be measured for each batch
  - Records required, recall program required
  - Batch to batch release by inspectors - fee for service



# Processed Food Registration



- Application
  - Department of Public Health
- MUST register annually with the state as a food processor
- A separate registration is required for each place of **manufacture**, **packing**, or **holding**
- Inspection will occur PRIOR to opening business
- (Pet Foods Regulated as human food)



# CA DPH Fees



- Processed Food Registration Fee (\$348+)
- Food Safety Fee (\$100)
  - Exemption in certain cases (requires annual application)
    - Gross wholesale income <\$20,000
      - Requires financial records
    - Exclusively involved in:
      - Wholesale flour milling, dry bean processing, drying or milling of rice



# Included products



- *Processing*, repackaging and warehousing
  - Drying and Dried fruits
  - Milling and Milled flours
  - Shelled nuts
  - Flavored nuts
- Repackaging and warehousing
  - Dried beans



# No Registration Required w/Food & Drug Branch



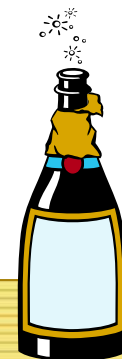
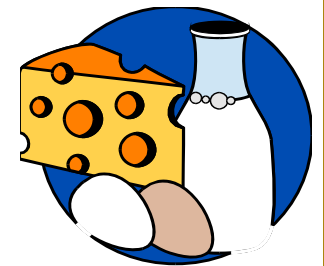
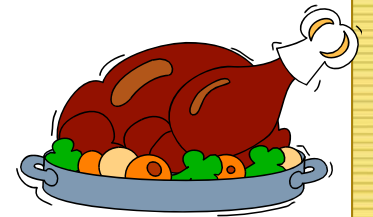
- Fresh fruits and vegetables (not chopped or otherwise prepared)
- **In-shell** nuts
  - (Raw Agricultural Commodity)
    - CDFA or USDA
- Dried bean processing (specifically exempt)



# Not Registered with FDB



- Retail facilities under County/City Department of Environmental Health
- Meat and poultry “only” facilities under CDFA OR USDA inspection
- Milk and dairy products “only” facilities licensed by CDFA (farm to store)
- Alcoholic beverage “only” facilities licensed by ABC





# Meat or Meat-Containing Products



- Fresh and processed meat and poultry
- Raw products containing 3% or more by weight of meat or poultry
- Cooked products containing 2% or more of meat or poultry
- Fall under CDFA meat division or USDA



# Additional Requirements



- Olive oil license (California)
  - One time registration, no fee
  - Must also register as food processor
- Organic processed product registration (Food and Drug Branch, California)
  - Will be coordinated with food processing registration
- Raw agricultural commodities
  - Organic registration handled by CDFA



# Other requirements: In-shell eggs



- Sold at Retail: Mandatory
  - Label on carton
    - “To prevent illness from bacteria: keep eggs refrigerated, cook eggs until yolks are firm, and cook foods containing eggs thoroughly”
  - Refrigeration
    - <math>45^{\circ}\text{F}</math>
- Sold at Certified Farmer’s Markets
  - Holding eggs at higher than  $45^{\circ}\text{F}$  is permitted if a series of conditions are met



# Wrap-Up



- Know your product
- Know your process
- Understand the risks
- Understand the regulations