

**October 1, 2004**

Jones County Center  
110 South Market Street  
PO Box 218  
Trenton, NC 28585-0218  
Phone: 252.448.9621  
Fax: 252.448.1243

***Commercial Horticulture:  
Future Cooperative Extension Programs, Business Planning  
and Crop Production Issues***

*This newsletter is intended for anyone interested in topics related to commercial fruit and vegetable production, business planning and North Carolina Cooperative Extension Service meetings related to the agriculture industry throughout North Carolina. Please let me know if you have any questions or comments related to the information in this newsletter.*

**Mark Seitz**  
**Extension Area Specialized Agent**  
**Agriculture - Commercial Horticulture**  
**(252) 448-9621 or [Mark\\_Seitz@ncsu.edu](mailto:Mark_Seitz@ncsu.edu)**

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***Upcoming Workshops, Tours & Meetings***

**October 7, 2004.** *Sweet Potato Field Day.* Horticulture Research Station, Clinton, NC. Contact Jim Young (919) 515-6701 for more information.

**October 18, 2004.** *AgriCultural Tourism Fall Tour, Pamlico County, NC.* This tour will look at businesses currently engaged in agriculture and natural resources tourism and cultural tourism in the area. Contact Ed Emory at the Duplin County Cooperative Extension office at (910) 296-2143 or [Ed\\_Emory@ncsu.edu](mailto:Ed_Emory@ncsu.edu) for more information.

**October 30, 2004.** *Putting Small Farms to Work Conference.* This conference is focused on alternative business ventures farmers with small acreages can try to increase their income. Topics such as aquaculture, heritage vegetable varieties, ethnic markets & marketing and many other topics will be discussed. Contact me or Ed Emory at the Duplin County Cooperative Extension Service Office, Kenansville, NC for more information. Phone (910) 296-2143.

**November 3-5, 2004.** *NC Strawberry Expo.* High Point, NC. For more information go to: [www.ncstrawberry.com](http://www.ncstrawberry.com)

**November 11, 2004.** *Grape Production Information Meeting & Tour.* C & C Vineyards, Pink Hill, NC & Duplin Winery, Rose Hill, NC. This is an informational meeting for anyone interested in growing muscadine grapes or learning about custom harvesting opportunities in the wine industry. A meeting announcement and directions are included in this newsletter.

**November 30 - December 2, 2004.** *23<sup>rd</sup> Eastern North Carolina Vegetable School & Trade Show.* Greenville Convention Center, Greenville, NC. Sponsored by the NC Vegetable Growers Association. Contact Cathy Price, NCVGA (919) 334-0099 for more information.

**December 8-10, 2004.** Certified Crop Advisor Training. Contact Curtis Fountain at the Jones County Extension Center, (252) 448-9621 or your local Extension office for more information.

**February 19, 2005.** Cut Flower Workshop. Lenoir County Cooperative Extension Center. Kinston, NC. Contact Peg Godwin or Beth Kennedy at (252) 527-2191 for more information.

**February 25, 2005.** Northern Piedmont Specialty Crops School. Call Carl Cantaluppi at (336) 559-1195 for more information.

### **Worker & Food Safety Update:**

Several counties have experienced problems with illegal food vendors selling prepared food to workers in the agricultural fields. Observed methods of food preparation and service include cooking on gas-powered burners in the fields and selling pre-wrapped food of unknown origin from the trunks of vehicles. With the passage of SB 312, local health departments now have an enforcement tool that clearly defines that the selling of foods by non-exempt individuals is illegal.

This activity is of special concern when considering the impact on agricultural product safety in light of the recent Hepatitis A outbreaks involving green onions. In addition to the spread of food borne illnesses to the migrant workers, the workers can spread the pathogens to the product being harvested when proper personal hygiene is not practiced. Since the washing of fruits and vegetables is not totally effective in removing all of the pathogens, the agricultural product could reach the consumer with the pathogens still intact. The result could be another multi-state outbreak.

If you would like additional information concerning how to avoid this potential hazard, please contact William Hill at the Craven County Health Department office or by email at: [whill@co.craven.nc.us](mailto:whill@co.craven.nc.us) for more details.

### **Business Planning Strategic Alliances: The Future of Business?**

I talked about strategic alliances in my September newsletter. While the legalities of a true strategic alliance may be more than you are willing or able to take on, the theory behind it is worth considering. With increasingly tight profit margins, you have to be creative and inventive in how you control your operating costs just like the 'big guys'. If you don't find ways to cut costs the profit squeeze you have seen the last ten to twenty years will only get worse.

Another cost cutting business strategy you might consider is vertical integration. Many large food processors, wholesalers and retailers use vertical integration to reduce costs and increase profits.

Vertical integration is an attempt by one firm to purchase or develop a stage of an industry that precedes or follows its core operation. Many food processors are getting into the plant breeding and seed production business to develop their own varieties. They do this to avoid paying the seed company royalties, which allows them to cut their costs and do a better job of managing their businesses.

In this example vertical integration also allows companies to directly implement the information they get from their customers right to the variety development stage. This will help them select new varieties and cut costs by using their own operations staff and transportation networks to move seed around the country, in addition to processing fruit or vegetables. The result of their activities is usually that they make more money; more fully utilize the skills of their management staff, and hold the price to the farm the same.

While there can be significant benefits for big companies and farms to engage in vertical integration, there are also drawbacks. The greatest risk with vertical integration is that this strategy may lead to a dependence on old technology. Companies often get locked into a methodology or technology because of the

investment they made and will not or cannot change to keep up with new trends in the industry. Changes in technology may take years to recognize and by the time a company realizes changes have occurred, the world has passed them by. At this point it may be too late or too expensive to correct the problem.

So what does this have to do with your farm? Vertically integrating in the produce industry is probably the toughest change in business management you might tackle. It requires learning about managing a new venture, extending or expanding your staff and stretching your resources. With so much of the processing, wholesaling and retailing locked up in the hands of the few, where do you turn to vertically integrate? How do you do it? What product could you purchase or produce to vertically integrate. I think you all realize that opportunities on a national or state level are limited. Many markets and retailers are locked into national contracts and are servicing 12 month businesses. However, local marketing, processing or production opportunities are available at the right time or place. A few examples of vertical integration opportunities for your farm might be:

- Starting your own packaging line for your fruit or vegetable crops
- Developing a new line of fruit flavored ice cream with your home grown fruit (or vegetables if your pallet desires)
- Adding your own truck fleet to ship your produce to brokers or retailers
- Joining or forming a marketing alliance or cooperative to share marketing costs, liability insurance costs and increase volume
- Adding a seed storage facility for your farm and leasing warehouse space to seed companies and other farmers

- Starting a roadside market
- Becoming a produce broker or hiring one to manage a new venture
- Develop a custom harvesting or spraying venture
- Develop a produce brokerage business focused on international trade

Once again vertical integration is likely to be the most difficult business strategy to invest in and develop but there are opportunities to consider and cost savings to be had.

If you are interested in learning more about vertical integration call me at the Jones County Extension Center.

**Sources:**

Thompson and Strickland, 2003. *The Concepts and Techniques of Strategic Management* Pg. 174. In: *Strategic Management: Concepts and Cases.*

Kotler, P., 2000. *Marketing Management. The Strategic Alliance Boom.* Pg. 82.

**Crop Insurance:**

We are all very much aware of the impact of Bonnie, Charley and Ivan this year and how past hurricanes have wreaked havoc on crop production in eastern NC. When these storms come through crop insurance is the first place many growers look for financial relief.

There is only one crop insurance program available for fruit and vegetable producers that will help compensate for losses related to these storms. The United States Department of Agriculture's Farm Service Agency (USDA-FAS) offers NAP (Noninsured Crop Disaster Assistance Program) insurance. This program covers all non-insured crops for which the catastrophic risk level of crop protection is not available. NAP insurance can be applied for and purchased through your local FSA office.

A new program that will be available through NCDA&CS in 2005 is the Agri-Lite program. This is an income-based crop insurance program that was developed by the Pennsylvania Department of Agriculture to assist fruit and vegetable producers. NCDA&CS will be offering this insurance program in 2005. Crop risk assessments are being worked out for each county and crop and sign up for this program will start in November. Contact Phillip Farland at NCDA&CS by phone at (919) 733-7125 or by email at [Phillip.Farland@ncmail.net](mailto:Phillip.Farland@ncmail.net) for more information.

### **Crop Production:**

With Halloween quickly approaching those of you with pumpkins that survived all this wet weather should enjoy a good marketing year. Wet, humid weather and powdery mildew have made pumpkin production difficult at best in the area this year. Squash bug, squash vine borer, fall armyworm and pickleworm have all caused serious damage this season.

For those of you that still have a harvestable crop pumpkin crop controlling pickleworm and other insects will be necessary until the first frost occurs. Pickleworm is a difficult insect to control because of the multiple generations it produces. A copy of the recommended control measures from the 2004 NC Ag Chemical Manual are listed on the back page of this newsletter.

### **Soil Sampling:**

Now is a good time to get out and collect soil samples for the 2005 season. The rush of soil samples won't hit the soil testing lab in Raleigh until December and January and soil sampling now will still provide the results you need to determine your fertilizer needs for 2005. It will also give you more time to plan your fertilizer orders.

If you have questions about any of the upcoming meetings, business strategies, or crop production management issues, please call me at the Jones County Extension Center at (252) 448-9621. I can also be reached by email at [Mark\\_Seitz@ncsu.edu](mailto:Mark_Seitz@ncsu.edu). To see back issues of this newsletter go to my website at: <http://www.ces.ncsu.edu/jones/horticulture/index.html>.

*Have a great month of October.  
Happy Halloween!*

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