



Value-Added Products

An Introduction to Policies and Regulations for Kentucky Producers

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Introduction

“Value-added agriculture” is a broad term encompassing many practices that increase the value of farm products. Such practices often result in the manufacture of food products. Crop producers entering the realm of food manufacturing may become subject to a wide range of policies and regulations.

This fact sheet identifies policies and regulations experienced by many value-added crop producers in Kentucky. **This publication is summary in nature and is intended only to highlight key considerations for crop producers considering value-added products. Producers considering value-added food production should always conduct their own investigation of relevant local, state and federal requirements for their intended enterprise.**

This topic is addressed in three sections: marketing new crop food products, homebased processing for crops in Kentucky, and handling of bulk crops and commodities.

Marketing New Crop Food Products

Making new food products from crops may require the producer to acquire a range of permits and licenses. The producer may also need to meet regulatory requirements in a variety of areas.

A first step to identifying the requirements for a potential new food product is for the producer to identify what agencies regulate their product. One starting



point for identifying which agencies may regulate the product is for the producers to answer questions like these about the potential new product:

- What** value-added product will be produced?
- Who** regulates this product?
- Where** will the product be sold?
- Who** will purchase the product?
- How** will the product be purchased?

What value-added product will you produce?

The specific value-added product that is produced will affect the scope of the laws and regulations that may apply to the manufacture of that product. For example, most products containing meat fall under USDA regulation. A producer using his or her herb crop to make sausage, for example, will face a different set of requirements than a producer



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wishing to package herbs for use as a meat rub. Similarly, “low-acid” processed foods will fall under a different set of requirements than “high-acid” processed foods.

By recognizing that different products may have different regulatory environments, producers will be able to make a more informed decision about what value-added crop products to produce.

Who regulates the product?

Many first-time value-added food producers are surprised to discover that their food production may be regulated by several different agencies. In Kentucky, food manufacturing is regulated by the Food Safety Branch of the Department for Public Health within the Cabinet for Health and Family Services. This is a good “first-stop” for producers interested in producing a food product. <https://chfs.ky.gov/agencies/dph/dphps/fsb/Pages/default.aspx>.

Producers should exercise caution when making health claims in advertising and packaging value-added products, as health claims for food products are closely watched by the Food and Drug Administration. Value-added products containing meat are likely regulated by the USDA.

Many food facilities are regulated first locally. Producers of food products should develop a working relationship with the local health department or other agencies that regulate food production. Producers have found that having a clear plan for the value-added activity and keeping a clear line of communication with local health inspectors can help to minimize the difficulty in navigating the relevant regulatory framework for their product.

Where will the product be sold? Who will purchase the product?

Different rules may apply to different market channels for value-added products. In Kentucky, some products that have been processed at home may be sold in approved retail markets (see below). Those products could not, however, be legally wholesaled to a grocery or restaurant; different rules apply for those market channels.

Producers wishing to market products to institutions, such as schools, hospitals and government facilities,



may be subject to additional requirements. The requirements for value-added products are typically different than fresh products such as fruits or vegetables.

Other regulations may also apply. Many states, including Kentucky, have restrictions on the shipping of wine from out-of-state wineries. Other states, for example, prohibit the entry of crops, planting stock, seeds and nursery products because of disease concerns.

When a new market opportunity for a value-added product arises, producers should investigate possible differences in rules and regulations for sale into that market.

How (in what form) will the product be purchased?

Regulations, such as those regarding packaging, may differ between the ways in which products are sold. Pack sizes for wholesaling to a foodservice establishment could be quite different than retail packs for a farmers market.

Other regulations and restrictions may also apply based on the target market for the value-added product. A grain producer, for example, may decide to have crops processed at a regulated facility and then retail the product. Other producers simply sell the raw product to the end consumers, who then choose a processing facility (as is commonly the case with meat processing).

Homebased Microprocessing and Processing in Kentucky

The Kentucky General Assembly has passed legislation providing for homebased microprocessing (HB 391) and homebased processing (HB 468) of crops in

Kentucky. The legislation applies to those with gross sales of not more than \$60,000 of microprocessed or processed products.

House Bill 391, passed by the Kentucky General Assembly in 2003, allows Kentucky farmers the opportunity to process some of their own food products in their own farm kitchen for sale at farmers markets, Certified Roadside Stands and/or on the processor's farm. Producers must grow the predominant agronomic ingredient used in the product; meat, poultry, dairy and/or egg products do not qualify as a primary ingredient.

Homebased microprocessors may produce non-fruit (that is, vegetable or herb) or sugarless jams and jellies, in addition to low-acid, acidified and acid foods. Producers may process qualifying foods from an approved home kitchen after certification. Certification includes 1) having an approved water source; 2) attending a Homebased Microprocessor Workshop (UK or FDA-approved Better Process School); 3) having recipes approved by a designated representative of the University of Kentucky; and 4) submitting and receiving approval of an application and fee to the Kentucky Cabinet for Health Services.

Many Kentucky crop producers have utilized the provisions of this legislation to market goods from their farms. More information on the HB 391 provisions for homebased processing of farm crops is available at http://fcs-hes.ca.uky.edu/homebased_processing_microprocessing.

Many food products made by homebased processing in Kentucky are intended to be sold at farmers markets. The Kentucky Department of Agriculture has published a Farmers Market Manual that details sale of homebased products at farmers markets. In addition, producers wishing to offer product samples at farmers markets are required to obtain a sampling certificate. The Farmers Market Manual and details about sampling certificates for farmers market vendors in Kentucky are available on the Kentucky Department of Agriculture's Farmers Market Program website: <https://www.kyagr.com/marketing/farmers-market.html>.

Homebased Processors

House Bill 468, passed by the Kentucky General Assembly on March 27, 2019, allows Kentucky residents



to process some foods in an approved home kitchen. Homebased processors do not have to grow anything in the products produced.

The foods included under homebased processing include (but are not limited to) dried herbs, spices, nuts, candy, dried grains, whole fruit and vegetables, mixed-greens, jams, jellies, sweet sorghum syrup, preserves, fruit butter, bread, fruit pies, cakes and cookies. Dried or freeze-dried whole fruits or vegetables are also allowed, as well as candy (that does not contain alcohol and does not come in contact with bare hands), maple syrup, pecan pies, granola that may be made with dried grains, trail or snack mix that may be made with dried fruit, nuts, or seeds and popcorn (plain or with added seasoning).

As of January 1st, 2020, homebased processors must be registered with the Kentucky Department for Public Health Food Safety Branch. Registration requires a \$50 fee.

There are limitations on the kinds of customers that may purchase both homebased categories. These categories do not allow producers to sell homebased products to retailers or restaurants; those sales require a "commercial" processor permit. Another restriction is that no homebased processor items may be shipped to customers; producers may take orders online, so long as the customer picks up the item at an approved marketing location. Other restrictions may be found at the Kentucky Department for Public Health website.

Bulk Crops and Commodities

Value-added products do not only include manufactured food products. Identity-preserved crops and

crops grown according to organic standards also have value-added characteristics.

Organic Crops

Regulations are defined for organic crop certification and labeling of organic products. The use of the terms “organic” and “certified organic” can help create additional value for crops, but must also be supported by proper adherence to certification and documentation.

For a food product to be marketed as “certified organic,” it must be manufactured and handled in certified organic facilities. A producer’s farm may be currently certified for organic production; but for the producer to market “certified organic” food products using raw crops from their farm, those crops must be processed and handled in certified organic facilities.

The Kentucky Department of Agriculture has an organic program that can help producers interested in producing value-added goods navigate the organic certification process. The contact information for this program is <https://www.kyagr.com/marketing/organic-marketing.html>.

Identity-Preserved Crops

Identity-preserved crops are kept segregated from commodity grains and oilseeds in the handling process. Identity-preserved (IP) crops are often monitored through contractual agreements with processors that self-regulate the crop supply chain and processing path.

Federal and state regulation for IP crops is not as extensive as the organic standards that are administered by the state. However, producers of IP crops must be careful to adhere to all the stipulations placed upon their production and handling by the contractor to whom the IP crops will ultimately be sold.

Additional Resources

- Kentucky Cabinet for Health and Family Services <https://chfs.ky.gov/agencies/dph/dphps/fsb/Pages/default.aspx>
- Kentucky Farmers Market Manual <http://www.kyagr.com/marketing/farmers-market.html>
https://www.kyagr.com/marketing/documents/FM_Manual_and_Resource_Guide.pdf
- United States Department of Agriculture (USDA) www.usda.gov
- Food and Drug Administration (FDA) www.fda.gov
- Homebased Processing of Crops in Kentucky https://fcs-hes.ca.uky.edu/homebased_processing_microprocessing
- Agricultural Marketing Resource Center www.agmrc.org
National electronic resource for producers interested in value-added agriculture. Includes information on commodities, products and industry trends. Also includes business development information, case studies and links to hundreds of other helpful publications. The food industry page is located at <https://www.agmrc.org/food>
- ATTRA / National Sustainable Agriculture Information Service www.attra.org
Comprehensive website on sustainable agriculture production practices and marketing. Includes “Adding Value to Farm Products: An Overview” <https://attra.ncat.org/product/adding-value-to-farm-products-an-overview/>

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