The University of Georgia

College of Agricultural and Environmental Sciences

Center for Agribusiness and Economic Development

Estimated Fresh Salsa Market Potential for Georgia and Bordering States

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Introduction

Consumers are becoming more adventuresome and trying unusual, fresh, ethnic, and regional foods. In addition, consumers' consumption of fresh produce is increasing as they attempt to eat healthier. This provides an ideal situation for the introduction of a unique, specialty salsa product. The creation of a fresh salsa product, both tomato and fruit based, combining unique ethnic flavors with fresh produce, could fit nicely into current market trends and offers a significant market opportunity. There is a lack of data available on the fresh salsa market; as a result, processed salsa data will is used as a proxy for fresh salsa

Target Market

Income is the driving factor in specialty food purchases. Households earning more than $65,000 are 85% more likely to purchase specialty foods than less affluent households. Specialty food shoppers are more educated than the general population, with 51% having a college degree. Household size also influences specialty food purchases. Two-person households are more likely to purchase specialty foods than people who live alone or in larger households. However, household size, age, and even the presence of children, are not as significant characteristics of specialty food shopper as are income and education (The National Association for the Specialty Foods Trade, 1999).

The fresh salsa target market is more likely to be the specialty food shopper. Typical fresh salsa consumers are affluent, live in the suburbs, and lead very health-conscious and food-oriented lifestyles. Most are married, own their homes, and have children. The urban elite, generally people older than 55, no children, and living at home, are the most likely to purchasers, followed closely by the affluent urban, 25-44 year-old single professionals, who read food magazines (The National Association for the Specialty Foods Trade, 1999).

Competition

The salsa market is highly segmented with large food manufacturers and small processors offering a variety of products, both fresh and shelf-stable. Using processed salsa data, it is possible to identify the prominent indirect salsa competitors. The indirect competitors are Pace with 25.7% market share, Old El Paso with 23.8%, and Tostitos with 11.2%. Due to economies of scale and developed distribution channels, these established processed shelf-stable salsa producers are able to offer their products at a significantly lower price, producers creating a significant barrier to entry for new salsa producers (Snack and Food Wholesale Bakery, September 1998). New fresh salsa companies have demonstrated they can be successful locally by focusing on regional preferences and playing on consumer loyalty. Even with these advantages, the competition is tough with an estimated one out of four salsa companies surviving more than two years (Snack and Food Wholesale Bakery, September 1998). However, by playing on consumer's preferences for gourmet products and the lack of a nation fresh salsa presence, start-up companies are not competing head-to-head with large established manufactures like Old El Paso.

Pricing

A number of regional fresh salsa producers and food retailers were contacted to determine current market prices for 16-ounces of fresh salsa product. Not surprisingly, the reported wholesale prices were consistent, $1.50 for 16-ounce container of fresh salsa. It is important to remember that this is the price the manufacturer is charging the food retailer, not what the end consumer is paying. For specialty food products, supermarkets may mark-up the price of a product 50% or more. Assuming a 50% mark-up, the retail price for 16-ounces of fresh salsa is $2.25. The price becomes even higher if the product goes through additional marketing channels (i.e., brokers and or distributors)

Market Trends

Again, because of the lack of fresh salsa product industry data, processed salsa data is used as a proxy to measure market trends, consumption patterns as well as to estimate the total market potential for a fresh salsa product in Georgia and the southeast. According to a 1999 article in the Florida Times-Union, salsa sales have been growing at a 10% rate over the past 10 years. Interestingly, in the mid 1990's, salsa sales surpassed America's favorite condiment ketchup, and are expected to approach $1 billion in 2000.

Away From Home (Restaurant) Market

The National Restaurant Association's Ethnic Food Study shows that solidly 90% of Americans have tried Mexican food, second in popularity only to Italian, while 85% eat it often or at least occasionally. Such widespread acceptance is changing the direction of Mexican food. The shift is toward bolder, fresher, healthier, more authentic food, the degree determined by demographics and the type of eating establishment.

However, after contacting a number of Mexican restaurants across the state, it was discovered that they generally have their own special recipes for salsa, which they make in-house. Based on this in-depth research, it does not appear that there is a viable market for supplying Mexican-style restaurants with fresh salsa products.

At-Home Market

According to a 1998 American Demographics article, two thirds (63%) of U.S. households purchase salsa, buying an average of one jar every month and a half. This translates into nine jars of salsa annually. The rapid growth of the salsa market was first attributed to the increase in the Hispanic population. However, subsequent research suggests that the increase in the Hispanic population is not responsible for fueling the salsa market, as most Hispanics prefer to produce their own salsa. Producers also mentioned that Hispanics constitute only a small percentage of their business.

Consumer trends are moving toward "real gourmet" products, not products that are mass produced and marketed as gourmet, further enhancing the market for an up-scale, fresh salsa product. A trend within this industry is the increased demand for high quality, specialty salsa (Specialty Shopping Forecast, 1998).

The traditional gourmet market is re-emerging as mainstream food retailers have flooded the market with imitation "gourmet" products. However, there appears to be a backlash as the quality and price of these mass-produced gourmet products have diminished. Gourmet products are expected to return to their roots: unique, upscale, and expensive. The food industry anticipated that gourmet products will re-acquire the price and quality levels they once held. In addition, specialty food stores will actively promote the exclusiveness of their products and consumers will treat themselves with these small indulgences.

The continued increase in salsa consumption can be attributed to five basic ideas:

- Increased demand for flavorful ethnic and exotic foods.
- Consumers' preferences have shifted toward fresh products.
- Consumers are trying to spice up or add flavor to compensate for the loss of fat in low- and non-fat foods.
- Dishes served with a condiment such as salsa are considered to have a greater value.
- Salty snack consumption, especially tortilla chips, is correlated with the use of salsa. Tortilla chip sales are expected to grow to $4 billion in 2001. [1]

[1] Karla Carlsen, Ernesto Duran, John Landa and Dennis A. Ferris *A New Tomato-based Salsa*

Table 1. Estimated Total Household At-Home Salsa Consumption					
State	**Households[1]**	**Percent Buying Salsa [2]**	**Annual Consumption[2]**	**Estimated Market Potential (lbs)/yr.**	**Estimated Revenue Potential[3]**
Alabama	1,737,080	63	8 lbs.	8,754,883	$13,132,325
Florida	6,337,929	63	8 lbs.	31,943,162	$47,914,743
Georgia	***3,006,369***	***63***	***8 lbs.***	**15,152,100**	**$22,728,150**
N. Carolina	3,132,013	63	8 lbs.	15,785,346	$23,678,018
S. Carolina	1,533,854	63	8 lbs.	7,730,624	$11,595,936
Tennessee	2,232,905	63	8 lbs.	11,253,841	$16,880,762
Total	17,980,150	63	8 lbs.	90,619,956	$135,929,934
1 Census Bureau 2000 Estimate; 2 1998 American Demographics; 3 Assumes a $1.50 wholesale price					

The information presented in Table 1 estimates that Georgians consume roughly 15 million pounds of salsa, worth $23 million dollars annually, assuming a selling price of $1.50 per 16-ounce container. Expanding the market to include the five surrounding states, consumption increases to 91 million pounds annually, worth $136 million. However, large food processors control 62.5% of the market. Pace (25.7%), Old El Paso (23.8%), and Tostitos (11.2%) dominate the salsa market.

Table 2. Estimated Household At-Home Salsa Consumption- Excluding Major Brand Market Share				
State	**Estimated Total Market Potential (lbs)/yr.**	**Attainable Market Share (%)**	**Revised Market Potential (lbs)/yr.**	**Estimated Revenue Potential[3]**
Alabama	8,754,883	37.5	3,283,081	$4,924,622
Florida	31,943,162	37.5	11,978,686	$17,968,029
Georgia	**15,152,100**	**37.5**	**5,682,038**	**$8,523,056**
N. Carolina	15,785,346	37.5	5,919,505	$8,879,257
S. Carolina	7,730,624	37.5	2,898,984	$4,348,476
Tennessee	11,253,841	37.5	4,220,190	$6,330,286
Total	90,619,956	37.5	33,982,484	$50,973,725
1 Census Bureau 2000 Estimate; 2 1998 American Demographics; 3 Assumes a $1.50 wholesale price				

The market potential, excluding the major brands market share, is significantly smaller. Georgia's salsa market potential has decreased from 15 million pounds annually to 5.7 million pounds annually. The estimated revenue potential has decreased to $8.5 million annually, down from $23 million annually, including the major brands. However, there is still a significant market for salsa in Georgia and the surrounding states.

Given the potential, it is important to remember that there are other smaller salsa companies competing for market share. According to an interview with a grocery chain buyer (American Demographic in 1998), he is approached by as many as 50 salsa makers annually. Of these products, he makes his purchase decision based not only on taste and demand, but the product's uniqueness in the marketplace. In addition, the grocery chain buyer indicated that he is always looking for new salsa products and has a

turnover of about 20% annually as he strives to bring in new and unique products to spark category sales.

New Product Potential

Given the competition in the traditional tomato-based salsa market combined with consumers' willingness to try new products, new salsa products are emerging. Fruit-based salsas are quickly gaining popularity in the United States, Table 3. The increased demand for fruit-based salsa products can be attributed to:

- An increased global interest in ethnic and novel foods, combined with increasingly daring consumers, eager for innovative new taste sensations.

- The need for "punchy" condiments to compensate for low-fat and low-calorie diets, resulting in an expanding willingness to experiment with new low-calorie yet highly flavorful foods.

- The fact that fruit-based salsas are an evolutionary, rather than a revolutionary new idea; they are not brand-new products that need to overcome typical marketing resistance to radical new concepts.

- As people travel and move around the world, they are exposed to a variety of new foods. The result is a more homogeneous palate, in part, because most developed countries are becoming less culturally distinct as ethnic foods become readily available. [2]

[2] Food Technology, Vol. 50, No. 1, January 1996

Table 3 outlines different types of fruit-based salsa products:

Table 3. Types of Salsa Available on the Market.

Name of Salsa	Main Ingredients	Recommended Main Dish (origin)
Compeche	Sour orange juice, chiles, garlic	Seafood (Veracruz)
Pineapple	Pineapple, chile, onion	Grilled pork, whitefish
Mango	Mango, chile, tamarind, shrimp, onion, garlic, fresh cilantro, red pepper	Grilled pork, chicken, crab meat, tuna (Caribbean)
Papaya	Papaya, black beans, red or green bell peppers, red onions, pineapple juice, lime juice, cilantro, cumin, chile	Grilled fish (Caribbean)
Fruity	Plums, onions, ginger, brown sugar, raisins, orange juice, coriander, vinegar, lemon juice, mint	Roasted meats (modified American Indian)
Banana	Banana, onion, ginger, brown sugar, lemon juice, vinegar, orange juice	Roasted or grilled game
Apricot-fig	Apricots, figs, raisins, onions, vinegar, almonds, ginger, red chile, lemon	Lamb (South Africa)
Quince	Quince, vinegar, lemon juice, sugar, ginger	Roast duck or goose
Grape	Seedless grapes, white cloves, ginger, red jalapeno peppers	Baked ham, turkey, roasted or grilled meat
Watermelon	Watermelon, cucumbers, red onion, carrot, vinegar, sugar, fresh mint, cilantro	Grilled shellfish (modified Southeast Asia)
Green apple	Granny Smith apples, white vinegar, lemon juice, oregano, chopped orange segments	Roasted or grilled chicken (American East Coast)
Orange	Naval orange, cucumber, red onion, red wine vinegar, orange juice, red chile, pepper, fresh mint	Fish (Morocco, North Africa)
Peach	Ripe or semi-ripe peaches, peppers, red onion, orange juice, lime juice, molasses, chile pepper, parsley, garlic	Grilled fish, roast (American)

Source: Food Technology, Vol. 50, No. 1, January 1996

Economic Feasibility of Fresh Cut Value-added Facility in Tift County, Georgia

This section investigates the costs and returns of operating a cabbage, salsa and brine pepper value-added preparation facility Tift County, Georgia. This economic analysis applies to full annual operation; it does not serve as a cash-flow, or start-up cost analysis. These figures cover a "normal" operating year including a "normal" sales year. The economic analysis is provided to determine the true profit or loss potential of the proposed operation. Cash flow analysis is used to determine the feasibility of any particular financing plan.

Equipment costs for the salsa production includes all components necessary for dicing tomatoes, onions, peppers, and cilantro for salsa then packaging it into plastic containers. The equipment costs came from several different sources, including Urschel, CMI, Gates Automation, and World Cup. Fresh-cut vegetables begin the decay process the moment the membrane is broken. The facility will be kept between 35 and 40 degrees Fahrenheit to reduce spoilage. After preparation, a hopper directly bags the vegetables and laborers box them for transport. The equipment costs were collected from Urschel and CMI equipment manufacturers. The equipment used includes: receiving station, flume, Urschels, dryers, hoppers, baggers, front end loader, and refrigerated trucks. A detailed list can be seen in the appendix. Operating costs were also investigated for running the facility on a full-time basis.

The level of production coincides with yields provided by the local producers and the availability of machinery in the market place. Building size is sufficient to run a large scale salsa operation. Those interested in a small scale facility can use the same equipment but reduce the building size. The total size of the building is 40,000 refrigerated square feet. The refrigeration allows the raw product and finished product to remain fresh and stable during the process.

The salsa facility will operate 50 weeks per year, 6 days per week. This is typically for large production units wishing to supply a consistent quantity of product to retailers. A smaller facility may just produce salsa when local vegetable are available, but then there is the market entry issue with only having product for 6 months a year. The final product will be a 16 ounce plastic container of fresh salsa which needs to be refrigerated.

Capital Costs

The capital cost figures include all necessary equipment for receiving vegetables from the field, adding value, and distribution, with start-up estimated and added into the capital cost for each scenario. Table 14 summarizes these costs as the following: building/land, plant equipment, and working capital. Working capital is determined as three months of the total annual working capital required during an average year, plus start-up costs, which includes permits, electrical installation, and managerial fees. The size of the building was estimated for a double line single operation; however starting a

new business require time so only enough equipment for on line was used in the investigation.

Working capital is included in the capital costs. Working capital changes with the levels of production and are the resources used to support a business until that business begins to generate its own support, generally in the form of profits. Most working capital comes in the form of start-up, short-term loans. Enough capital is needed to cover expenses incurred by the business during the start-up phases and slow sales periods to remain in production. Working capital to cover two months of operation with no income produced, including payment to producers for the raw products and any debt payment that may be incurred is assumed.

Table 14. Capital Cost Comparison

Cost Category	Salsa
Building	$1,412,500
Plant Equipment	$432,864
Working Capital	$785,032
Total	$2,630,396

Total capital required is $2.63 million for facility. The capital cost is the total estimated capital to be raised through equity and/or debt financing. See appendix pages 68, 75, 81 and 87 for details.

Fixed Costs

Total fixed costs are expenditures which will not change with production levels or time. Stated another way, costs remain the same, no matter if 1 case or 1,000 cases are produced. Fixed costs are flat and consistent with the same costs occurring each period, whereas other costs are related to the level of output. Included in fixed cost are interest, depreciation, taxes and insurance and administrative costs. Economic depreciation is used to cover physical deterioration and function obsolescence of equipment and/or regulations. The annualized cost of the internal capital and return on investment is built into the economic analysis. If helpful, depreciation can be thought of as the annual average principal debt payment occurring if a loan is structured for the entire capital costs for the anticipated useful life of the facility. Return on invested capital can be thought of as the average annual interest payment for a loan capitalized over the anticipated useful life of the facility. Fixed costs are equivalent for all scenarios since each uses the same equipment.

Salaried employees are considered “fixed” for this analysis since their costs are not easily changed with production levels. Administrative employees include: a manager, salesperson, bookkeeper, and a secretary. The manager, food scientist, and salesperson receive annual salaries of $75,000 and $50,000, respectively, with the potential for commissions. These people are responsible for scheduling delivery of raw and finished products, ordering input supplies, and creating contacts for direct sales, and ensure food safety. The administrative employees receive benefits. A part-time

bookkeeper, with an estimated salary of $25,000, will be hired to assist the manager.

Table 15. Fixed Cost Comparison for Each Scenario	
Cost Category	**Salsa Only**
Administrative Costs & Benefits	$260,000
Taxes and Insurance	$18,454
Depreciation-Building	$69,750
Depreciation – Plant Equipment	$51,123
Interest on Investment-Building and Start-Up Costs	$93,125
Interest on Investment - Plant Equipment	$21,643
Total Fixed Cost	**$514,095**

Table 16. Fixed Cost Comparison for Each Scenario Per Ton	
Cost Category	**Salsa Only**
Administrative Cost & Benefits	$16.41
Taxes & Insurance	$231.22
Depreciation – Building	$62.03
Depreciation - Plant Equipment	$45.47
Interest on Investment - Building/Start Up Costs	$82.82
Interest on Investment - Plant Equipment	$19.25
Total Fixed Cost	**$457.20**

A salsa enterprise has reasonably high fixed cost per product due to the shrinkage of the materials used and inefficenies of making a fresh salsa versus a processed salsa that can be stored in warmer tempretures. See appendix pages 67, 74, 80 and 86.

Direct Vegetable Cost

Purchase prices were obtained from the Center for Agribusiness and Economic Development 2002 Farmgate Report, using the price received by farmers in the Tift County area. The prices utilized are for fresh grade #1 quality vegetables. Research and marketing has shown that cull vegetables cannot be used in the production of fresh-cut vegetable items. Consumers expect prepared products to be made from un-blemished quality vegetables. Exceptions to this rule could be exploited with the use of some cull tomatoes and peppers, but for the purpose of this study only fresh market prices were used as direct payments to producers.

Shrink is also included to account for loss of weight due to chopping, dicing, and tipping and topping onions (45%). The shrinkage rates are reflected in the total tons prepared. The facility had to purchase vegetables in excess of the actually tons prepared to account for shrink.

Table 17 indicates prices received by farmers, as reported in the Farmgate Report.

These prices were chosen since they more closely reflect the actual prices received by farmers in the Tift County area.

Table 17. Direct Vegetable Prices				
Type	**Price/Ton**	**Price/Lb**	**Tons Needed**	**Total**
Tomatoes	$600	$.30	1,226	$735,435
Onions	$440	$.22	348	$152,934
Peppers	$660	$.33	14	$9,277

Based on production yields provided by the applicant, enough vegetables are grown in the area to run the facility at an optimal level.

Direct Labor

Labor cost for this operation are based on recommendations from CMI and Urschel with some guidance provided by existing fresh-cut facilities in the Atlanta area, who wish to remain anonymous. Wages are set at $12 per hour to adhere to quality control, environmental, and training issues. To retain quality employees, the wage rate was suggested to be higher then the county average.

Table 18. Labor Cost	
Cost Category	**Salsa**
Labor Cost	$194,688
Labor Cost Per Ton	$173.14

Variable Costs

Other direct variable costs associated with this project include utilities, insurance, repairs, disposal, product insurance, marketing, interest on working capital, and operating costs. Positive relationships exist among prepared tons and variable costs, although this is not linear. An increase in prepared volume increases the variable costs. This is seen significantly in the utilities (electricity). Table 19 provides the different scenarios for variable cost. A detailed list of these costs can be seen in appendix page.

Table 19. Variable Cost	
Cost Category	**Salsa**
Variable Cost	$703,864
Variable Cost Per Ton	$625.96
*Brine Peppers are per drum.	

Table 19 indicates that the variable cost per ton is $625. The largest component of these variable costs in all scenarios was the operating cost, which consists of cleaning and packaging supplies. Each doorway will have a hand washing unit and four inch puddle filled with cleaning solution to disinfect all entrants into the facility. The big issue with fresh cut products is cleanliness and germ control to produce a safe product.

Lab tests are done frequently to check germ and bacteria levels. These quality control costs are a large component of variable cost. Appendix pages 67, 74, 80 and 86

Income

Income was derived by assuming the facility would run at 85% capacity per shift. The final products were sold at $1.00 retail and $2.75 food service for cabbage, and $1.25 for salsa. These prices were determined by the market analysis and wholesale data received from a large retailer database. Table 20 illustrates the income derived from the sale of all products.

Table 20. Income	
	Salsa
Prepared Tons	1,124
Price per Container	$1.25
Income	$2,811,120

As seen in Table 20, income is based solely on the prices received from selling to retailers or the food service industry. However, the income above assumes that 100% of the final products are sold. This is not typical for any new operation and time needs to be considered before assuming entire products produced are sold.

Total Cost & Profit/Loss

Total costs per ton can be determined by adding variable (labor, direct vegetable, and operating cost) and fixed (administrative labor, depreciation, taxes, and insurance) costs. Table 21 provides the total profit/loss costs for each scenario. Table 22 illustrates the profit/loss per finished ton.

Table 21. Total Costs and Profit/Loss	
Cost Category	**Salsa**
Income	$2,811,120
Direct Cost	$905,982
Labor Cost	$194,688
Variable Cost	$703,864
Fixed Cost	$514,095
Total Cost	$2,318,630
Profit/Loss	$492,490

Table 22. Total Costs and Profit/Loss	
Cost Category	**Salsa Only**
Income	$2,500
Direct Cost	$805.71
Labor Cost	$173.14
Variable Cost	$625.96
Fixed Cost	$457.20
Total Cost	$2,062.02
Profit/Loss Per Ton	$437.98

Table 22 provides the breakeven figure per ton for the salsa operation. It is profitable with returns per ton greater than the season average price as recorded in the fresh vegetable market. If cull vegetables can be utilized in different aspects of the operation, profitability will increase. See appendix pages 67, 74, 80 and 86.

Sensitivity Analysis

Profit versus Budgeted Cost

In order to determine the potential viability and risk of a project, a sensitivity analysis is performed. The sensitivity analysis adjusts the budgeted cost by 5% increments to test profitability of the operation if cost increased.

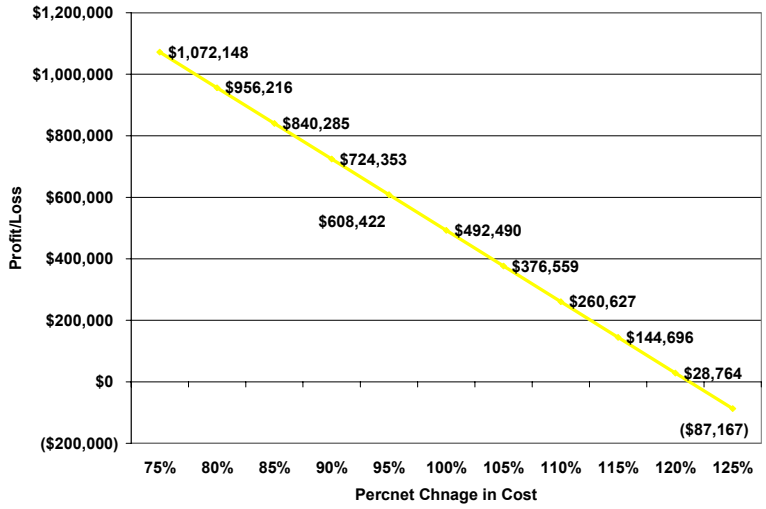
Budget numbers included operating expenses (utilities, taxes, labor, and supplies), fixed costs (interest on start-up cost, depreciation), and income from sales of the prepared vegetable. Total costs are subtracted from income, resulting in profit or loss.

This information is useful for decision planning and risk aversion, as costs are subject to change. Utilities for example, can fluctuate periodically through the year depending on supply of their inputs. The CAED suggests allowing for a 10-15% over budgeted cost for large projects. Often costs change after the start up of the business or the feasibility study is finalized. Therefore, to ensure all cost is covered, a buffer should

be included.

Graph 1 indicates the relationship between budgeted costs and profitability. The cost estimates are moved incrementally at 5% intervals to see the results on profitability and assess risk.

Graph 1. Change in Profit versus Change in Budgeted Cost, Salsa



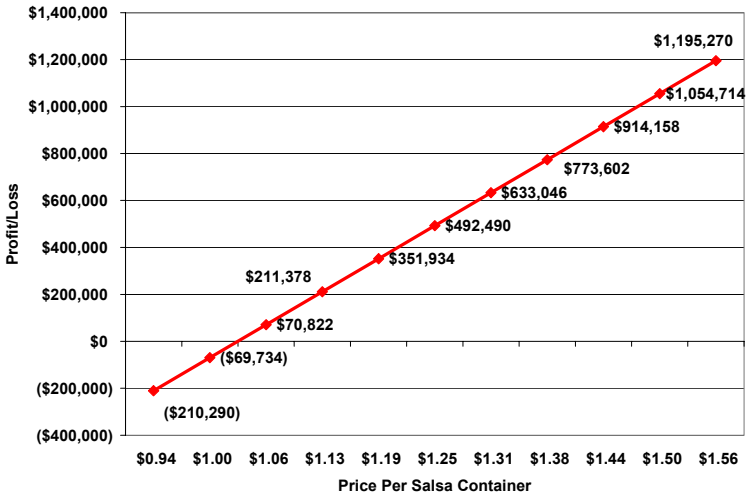
Graph 1 indicates that the salsa scenario is feasible based on the budgeted cost but turn unprofitable at an increase of 22.5%.

Profit Versus Percent Over/Under Estimated Sales Price

This section of the sensitivity analysis demonstrates how a change in the sales price of the prepared vegetables affects profitability. The obvious result is as prices decrease, profits decrease. New products are often offered at prices under competition products to gain market share. In response, the competition may respond to new products by cutting their sales price. To understand the outcome of sales price shifts on profitability, Graphs 2 uses a 5% change in sales prices to illustrate the sensitivity of profits to change in market conditions.

Graph 2 investigates the relationship of sales prices and profitability for the salsa line.

Graph 2. Profit versus Over/Under Estimated Sales Price, Salsa.

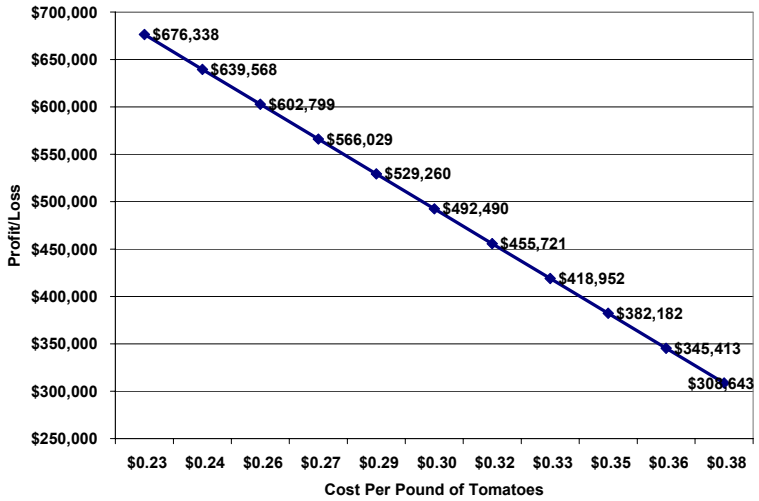


Graph 2 indicates the salsa operating line can reduce the sales price by $.21 per container or 17% and still remain profitable.

Profit versus Change in Direct Vegetable Cost

Graph 3 indicates how a change in direct vegetable cost, or prices received by the producers affects profitability. The vegetable prices used are for fresh market produce and were taken from the Farmgate Report published by the CAED.

Graph 3. Profit versus Direct Cost, Salsa Line (Tomatoes)



Graph 4 indicates that the facility can offer $.50 per pound or $1,002 per ton of tomatoes before becoming unprofitable.

Impact Analysis

Impact analysis is a key component of any feasibility study. An impact analysis indicates the effect of a new venture on the local and state economy. Building and implementing a fresh cut facility in Georgia would impact the economy on two levels. The new plant would generate output as it begins selling finished products. These sales would, in turn, generate additional sales as the plant purchases inputs. The suppliers to the plant will increase the purchase of their inputs, thus increasing demand for those items. These increased sales will ripple through the economy. An input-output model will capture and quantify these effects.

The input-output model, IMPLAN (Impact Analysis for PLANning, Minnesota IMPLAN Group) was utilized for this project. IMPLAN can predict the effects of a new venture on output (sales), employment and tax revenue. IMPLAN models can be constructed for a state, a region or a county. Input-output models work by separating the economy into its various sectors, such as agriculture, construction, manufacturing and so on. An IMPLAN model will show each sector and industry in the specific region's economy. The model can capture how a change in one industry (for example, further vegetable preparation) will change output and employment in other industries. The changes in the initial industry (vegetable preparation) are labeled direct effects and the changes in the other industries are called indirect effects. The direct and indirect effects are summed to give the total economic impact.

This salsa plant would have sales of $2,811,120. It would employment 9 people. In addition to its direct output, the plant will generate $1.95 million in additional sales. Thus, the total impact of the plant in Georgia will be $4.76 million. In terms of employment, a total of 29 new jobs will be created due to the plant, 9 actually at the plant and 20 in other various sectors. Tax revenues for the local and state government would rise by $138,679.

Table 4. Impacts of the Salsa Line			
	Direct	**Indirect**	**Total**
Output	$2,811,120	$1,955,479	$4,766,599
Employment	9	20	29
Tax Revenue (State)	NA	NA	$138,679

Conclusions

The economic analysis exhibits opportunities in the fresh cut industry if the final products can be delivered in a timely fashion to retailers. Market analysis indicates growth in consumption in fresh cut products in the Georgia area. Little market information was available for the brine peppers. Therefore it is unknown whether this ingredient market is growing, contracting or even a safe venture.

Salsa prospects are positive with many retailers mentioning high demand for fresh salsa products. The salsa line created substantial profits even with inputs priced at fresh market value. Again, this assumes 100% of the products are sold. Supply for fresh salsa currently does not match demand.