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GEORGIA TREND / JUNE 2015 / THE TASTE OF SUCCESS

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## The Taste of Success

From chickens to produce to specialty products, food processing is a huge and growing industry in the Peach State.

Ellen Berman



Georgia Grown: Ross Harding, Verdant Kitchen's co-founder, president and CEO

Russ Bryant

Georgia's food processing industry is simmering with opportunity. Spurred by proximity to abundant locally grown products, transportation systems, affordable sites, a talented workforce and a smorgasbord of economic concessions, Georgia is a ripe market for food and beverage companies. So it's no surprise that food processing is the state's leading manufacturing employment sector.

More than 650 food-processing companies are located in Georgia. Many of them have

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headquarters here and produce well-known food and beverage brands that are sold internationally. Moody's Economy.com predicts Georgia's food processors will contribute \$12.7 billion to the GSP (gross state product) in 2015. That number will grow to \$14.5 billion by 2020, with an expected employment of 68,000 workers.

"Georgia's got some real advantages," says Dr. Robert Dixon Phillips, professor emeritus and retired director of the Food Product Innovation and Commercialization Center (FoodPIC) at the University of Georgia's Griffin campus. "The city of Atlanta is a hub for many businesses and has the world's busiest airport; we have the Savannah and Brunswick seaports; plus we have customized training for workers through the Georgia Quick Start program. A big part of it is logistics, and of course being close to production is always an advantage."

FoodPIC, along with its new director, Kirk Kealey, a man with years of experience in product development at PepsiCo, works with food businesses to help launch new products. One of them is Verdant Kitchen, whose Savannah Snaps ginger snap cookies recently won first place in the snack foods category in the Flavor of Georgia food product contest. The Flavor of Georgia contest showcases delicious, innovative market-ready prototypes or commercially available food products and is hosted and organized annually by the UGA College of Agricultural and Environmental Sciences Center for Agribusiness and Economic Development with the support of the Georgia Department of Agriculture, Center of Innovation for Agribusiness in Tifton, Walton EMC and the Georgia Agribusiness Council.

The food product center initially helped Verdant Kitchen with farming issues, certifications and grants – just a few of the many ingredients that set the stage for the company's success. Verdant Kitchen cofounder, president and CEO Ross Harding also relied on the expertise of the Georgia Department of Agriculture.

"We've been really impressed with the people in the state," Harding says. "Commissioner Gary Black's team at the Department of Agriculture is absolutely first rate; in particular, his Georgia Grown initiative. We've found his department to be skilled, enthusiastic and focused on small and farm-based businesses."

Georgia Grown brings together producers, processors, suppliers, distributors, retailers, agritourism and consumers to help agribusinesses grow and thrive.

Verdant Kitchen began growing organic ginger in 2012 on farmland at historic Lebanon Plantation in Savannah and converted one of the cabins on the property to an organic processing facility. The company also operates a certified organic kitchen in Atlanta.

The ginger is harvested once a year in January, dehydrated and processed for use in Verdant Kitchen's signature products such as ginger syrup, ginger-infused honey and crystallized ginger. The products are sold at Georgia farmers' markets, online, through specialty gift retailers and at major grocery stores like Kroger.

Harding won't reveal sales figures, but he says the business is doubling. Verdant Kitchen recently made a major investment in turmeric production, with product launches such as turmeric honey in the works. Turmeric ginger ale is already being produced. Describing turmeric as if it were a rare, fine wine, Harding says, "It's in the same family as ginger. As a root vegetable, it's not best tasted raw, but when added to other products, turmeric gives this beautiful depth and earthy fragrance and color to things. And it's a true superfood."

Growing up in Australia, which is a major ginger producer, Harding became acquainted with the spice as a young child. "We'd go to my grandparents place and visit the local ginger factory and buy ginger candy and ginger ale." But with Verdant Kitchen he didn't set out to make something that merely satisfied the taste buds. He wanted to sink his teeth into producing something that was both healthful and delicious. And he is quick to tout the health benefits of both ginger and turmeric, a topic he has heavily researched with his background as a chemist.

Health benefits aside, Harding learned that harvesting ginger can be profitable on very little

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acreage. But he also discovered that the food processing industry is highly competitive.

“It’s very complicated and capital intensive,” he says. “To make my ginger syrup, I have to have cash flow, raw materials, a production facility, finished product sitting in the warehouse – it’s complex. In this business you have to have the finest product because customer expectations are very high, particularly for gourmet foods.”

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## Southern-style Sensation

Other food processing entrepreneurs have also discovered an appreciation for what it takes to keep a startup in the black. And the available resources, from statewide agencies to local organizations, have come up smelling sweet.

Lauri Jo Bennett, a former teacher, turned a home canning hobby into a thriving operation producing Southern favorites such as pepper jelly, salsa, jams and pickled foods, now sold in 41 states – in part because of the assistance provided by the Center of Innovation for Agribusiness and its special projects coordinator, Sarah Cook.

“Sarah took me under her wing. She connected me with the Small Business Development Center [SBDC]. We developed a business plan, and the fellow from the SBDC looked at me and said this would never work – because I didn’t know diddly-squat about running a business.” Bennett says. “It has been a learning curve, but I’ve found in talking to people that you have to have that drive and that passion to be successful.”

So far, with the help of Cook and others’ ground-up industry expertise and regulatory know-how, it has worked.

Last year, sales for Lauri Jo’s Southern Style Canning LLC were \$300,000. Bennett’s products are sold in Harveys grocery stores, Sprouts, Whole Foods, Kroger stores and a host of specialty gourmet shops across some 40 states. In addition, they are shipped to commissaries on United States naval bases around the world. She achieved a coup when the Food Network Café at the Atlanta airport began selling one of her key products. But growing pains forced her to reduce payroll by cutting employees from 15 to 5, and she has taken on a financial partner who is contracted over the next three years to assure the business is running smoothly.

As the business has grown, meeting the increased sales demands became a challenge. Previously the company grew 75 percent of its own ingredients, but Bennett discovered they could easily source and purchase raw product from local farmers more affordably. Today the company only grows about 25 percent of its own ingredients.

Bennett hopes to retain the small-town feel that carried her forward as a family business from the beginning, and still runs the business from a humble storefront on U.S. Highway 319 near Moultrie. “We still pour every jar in here from Rubbermaid pitchers one gallon at a time,” she says. “I don’t want to lose what we are. That’s what separates us from other products.”

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## Aloha Spirit

Tackling growing pains is a hurdle for many smaller processors. But recent loosening of statewide regulations has enticed more cottage-industry producers to jump from the proverbial frying pan into the fire.

“In the past, small food producers had to meet the same regulatory requirements as large-scale commercial processors,” says Bo Warren, director of the Georgia Center of Innovation for Agribusiness and also director of business development with the Georgia Department of Agriculture. “Now these items can be made from someone’s home under license through the Department of Agriculture and sold directly to the end user. As a result, we’ve seen a spike in very small-scale food processing.”

Many entrepreneurs have grown their food processing businesses to the point where they can establish a commercial kitchen or work with co-packers to sell their products at retail

locations. But that kind of success brings its own challenges.

“As demand for their products increases, they have to scale up and either maintain a niche market or really ramp up and invest in a facility. It’s a catch-22,” Warren says. “Georgia has great business incentives, and we do offer grant matching funds for research for innovative concepts, but capital is a big problem.”

Capital is not as much of a problem for larger producers – for instance, those in the poultry industry. Georgia leads the nation in poultry product. In fact, if eggs are included, the poultry industry represents 35 percent of the state’s overall food processing industry.

Warren says the agriculture department is nearing completion of a new weather modeling forecasting system, in conjunction with the blueberry industry that will be 90 percent accurate in predicting freezes within a 48-hour window. Such forecasting is key because a freeze at the wrong time can ruin a crop. A little-known fact is that Georgia produces three times more blueberries than peaches, and last fall, according to Warren, Georgia outpaced Michigan to become the nation’s leader in blueberry production in part because Georgia has the longest blueberry-growing season in the country.

Warren expects the industry to continue growing. Besides the trained workforce, distribution infrastructure, transportation and our coastal ports, he says, “We also have water. California-based companies, such as Kings Hawaiian, have been looking at Georgia because of the drought conditions there.”

Kings Hawaiian Bakery, purveyor of the top-selling dinner roll in the world as well as being the world’s largest supplier of Hawaiian foods, doubled the capacity of its Oakwood production facility. In January 2015, Kings Hawaiian completed the construction of a second \$120,000 building with one of its two lines ready to go. Since 2011, the company has more than doubled its labor force to nearly 400 employees.

“Georgia is a great place to do business, both from the perspective of someone looking for a new place to do business and from a current member of the community like us,” says John Linehan, Kings Hawaiian executive vice president for strategy and business development. “While the regulations in Georgia are protective of the state’s citizens and resources, they are also clear and reasonable. Officials at all levels do their jobs well and are respectful, transparent and appropriately collaborative with business leaders.

“And, we think Georgia has a terrific leader in Nathan Deal. The entire state and local government structure works hard for its citizens and helps business to create jobs. We love Georgia.”

Linehan stresses the importance of what he and Anne Baxter, director of the logistics, energy, agribusiness and food processing (LEAF) industry team within the Global Commerce Division of the Georgia Department of Economic Development (GDEcD), refer to as Hall County’s “aloha spirit.” Linehan describes that spirit with words like “kind, gracious, sharing, community and gentle.” He also adds, “In a couple years, we think the majority of our employees will reside in Georgia.”

Baxter says the state’s growth in the food-processing arena is largely due to how the GDEcD works with companies. “We approach it as a team sport. We work hand in hand with our communities and the technical college system and mobilize all the components that are important to a company so they can deliver what is expected,” she says. “We are second to none in understanding their needs, and on the softer side, the local communities get involved in decisions about what sports teams are available for their kids, the schools they will attend and more.”

It’s apparent that while Georgia entices food processors with tasty tax incentives and training opportunities, it’s only one piece of the pie. The icing on the cake is just plain old Southern hospitality.

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## Food Processing by the Numbers

Food processing expansions or new locations 2010-2014: 96

New jobs announced by food processing companies 2010-2014: 8,800

Gross state product by food processors 2014: \$10.5 billion

Number of food processing companies 2014: 652

Food processing industry employment 2014: 65,740

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