



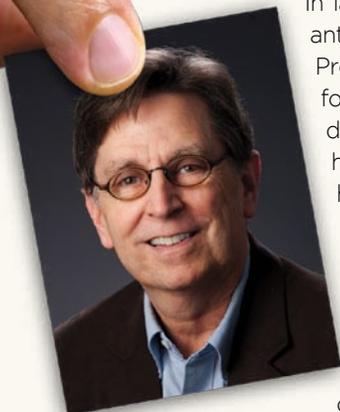
Product Center
Food • Ag • Bio
MICHIGAN STATE UNIVERSITY

2016 ANNUAL REPORT

Cultivating the Entrepreneurial Landscape



To Our Stakeholders:



In last year's annual report, Chris Peterson bid you farewell as he anticipated stepping down as the founding director of the MSU Product Center. He said that he hoped he had laid a foundation for the continued growth and success of the Center. As the new director, I can attest to the fact that he has done exactly that. He has left behind an excellent staff, a fiscally sound organization, highly effective and supportive connections with stakeholders inside and outside of MSU, and a path to a very bright future.

While I, personally, can take absolutely no credit for any of it (I assumed my role as director on September 1), the Product Center had yet another very impressive year of accomplishments and impact in Fiscal Year 2015-16. We assisted 437 clients in developing their business concepts, helped 270 to start their ventures and provided specialized services to 370, all through over 4,000 one-on-one counseling sessions. Sixty-two ventures were launched that created economic activity. Since our inception, we have launched 543 new ventures, with impressive cumulative economic impacts, as detailed in the accompanying table. All of this gives testimony to the power of entrepreneurship to transform lives and economies and to the dedication of our staff and our partners to fostering that entrepreneurship.

Our success, as always, hinges on the contributions of:

- Our campus staff, which helps clients with feasibility studies, food safety, labeling, market analysis, monitoring & evaluation, product testing, research, and scaling larger enterprises as well as staging major events such as Making It In Michigan;
- The Innovation Counselors, who work in the field with agricultural and food product businesses throughout Michigan;
- The many MSU faculty, who assist our clients with addressing a host of needs;
- Our many external stakeholders, who foster entrepreneurs and the Product Center;
- Our long-term MSU funders and partners: AgBioResearch, College of Agriculture and Natural Resources, Department of Agricultural, Food and Resource Economics, MSU Extension, Project Green, and the university itself; and
- Our external funders and partners: Center for Regional Food Systems, Michigan Department of Agriculture and Rural Development, Michigan Economic Development Corporation, Michigan Farm Bureau, Michigan Integrated Food and Farming Systems, U. S. Department of Commerce Economic Development Administration, USDA Rural Development, and our many other large and small friends and partners.

My deep and sincere thanks to each and every one of you!

In this year's report, you will find the details of the activities that underlie our success, including:

- Our venture development, specialized services, accelerated growth and cooperative development service lines;
- The further development of the Food Processing and Innovation Center, culminating in its construction in 2017;
- Our strategic research services, including those of the Center for Economic Analysis;
- The Making It In Michigan Conference and Trade Show; and
- Our award-winning clients.

Having the opportunity to lead this extraordinary organization is an honor and a privilege. It is my aspiration to maintain the great strengths of the Product Center and leverage those to achieve even greater impact in the future. We will strive to be as persistent, resilient and innovative as the entrepreneurs we serve. We look forward to our continued partnership with all of you as we pursue these goals.

Thomas S. Lyons, Ph.D.

Director, MSU Product Center Food-Ag-Bio

Summary of Counseling and Technical Services Provided:

SERVICES PROVIDED	SINCE 2004	FISCAL YEAR 2015-16
One-on-one client counseling sessions	47,104 sessions	4,168 sessions
Assistance with business concept development	4,455 clients	437 clients
Venture start-ups (based on a commencement and continuation of planning for a new business or an expansion for an existing business)	2,269 clients	270 clients
Specialized services (including product testing, market analysis, and feasibility studies)	2,546 clients	370 clients
Venture launches (commencement of economic activity for new or existing businesses through new sales, investment, or employment)	543 ventures	62 ventures

The Product Center's assistance in launching **543 known new businesses and business expansions** since its inception has had the following estimated economic impacts:

- Increased annual sales: \$378.4 million (cumulative first year sales only)
- Value of increased investment: \$371.9 million
- Jobs created: 1,534; Jobs retained: 786

VENTURE DEVELOPMENT

The **venture development services** offered are the cornerstone of business development for emerging businesses. Over 4,000 counseling sessions took place during the year with sessions tailored to meet the needs of the client. Eight extension educators, trained as innovation counselors, are located in MSU Extension offices across the state and delivered the services. Many clients were assisted with concept development to determine if their concept can result in a viable business. Developing a business plan, navigating the regulatory maze, and accessing retail markets were key services that were provided.

The innovation counselors also assisted clients in accessing specialized services offered by campus staff and faculty like feasibility studies, product classification and process authority review, nutritional labeling, food science, food processing and packaging assistance. Three hundred seventy clients received these advanced services.

A new partnership was developed with Crain's Detroit business to help sponsor the *Crain's Food Summit and Investor Forum* in Detroit. This successful event connected entrepreneurs from across the local food system with educational and financial opportunities.

The Product Center was recognized with a national award by Greenstone Farm Credit for exceptional outreach with MichiganMarketMaker an online resource that connects buyers and sellers across the food system.



COOPERATIVE DEVELOPMENT

The **Michigan Cooperative Development Program (MCDP)**, housed in the MSU Product Center, has had a successful year. In January 2016, the program once again hosted the Michigan Cooperative Executives and Managers Conference at the MSU Henry Center for Executive Development. Dr. Chris Peterson kicked off the event with an excellent presentation on strategic management for cooperatives. Attendees this year represented a wide range of cooperative types in Michigan, Ohio and Ontario, including a student housing cooperative from the MSU campus, Michigan based members of the largest agricultural cooperative



in the US (CHS) and representatives from dairy marketing cooperatives in Michigan and Ontario (Michigan Milk Producers Cooperative and DairyLea).

The **MCDP** continues to be the leading source for cooperative development services and programs in Michigan. **MCDP** partnered with service providers to provide legal counsel and advice to developing and existing cooperatives, marketing services for new products produced by a major Michigan based fruit processor, and ongoing board management support through consulting and advisement services.

In September the **MCDP** hosted a conference to educate professionals about worker cooperatives and Employee Stock Ownership Programs (ESOPs). This was the first such program hosted by the **MCDP** and grew out of continued interest and excitement about worker ownership and succession planning. The **MCDP** partnered with a Detroit based legal team and the Center for Employee Ownership at Kent State University in Ohio.

ADVANCED GROWTH SERVICES (AGS)

Advanced Growth Services (AGS) has engaged in a number of diverse projects over the last year, including strategic planning, plant safety, and compliance along with high-level business management and consulting.

With an improving economy, and increase in sales forecast some of the more established 'Stage2' clients have been involved in facilitated 'Think Tank' or strategic planning sessions looking to achieve the next level of competitive advantage or expansion in sales or services. Providing these sessions allows a company to discover and work through the critical issues it needs to



address to achieve results. Working with Safie's Pickles, this process discovered new sales opportunities in creating a line of organic pickled products using existing production and management capabilities for growing US and export markets.

AGS was also involved in developing a market launch strategy for an existing company in the United Kingdom looking to establish itself in the US. Newby Tea based in London selling fine teas in leading supermarkets, engaged **AGS** to look at its overall plan in breaking into the US retail market. Identifying stores based on consumer trends, plus mission and vision of the company allowed Newby Tea to focus on developing a sales team to capture these opportunities. Newby Tea has now opened their headquarters for the United States in East Lansing.

Also managed by **AGS** was a new product line for retail. *Earthly Delights*, based in Okemos MI which provides high-end and foraged ingredients to chefs and restaurants in the US, looked to **AGS** to develop and create a new line to expand its brand and sales diversity. Launching 'Foraged Fare' with a Faro Pasta and Wild Mushroom product, **AGS** worked in providing product development, brand creation, packaging, and distribution solutions to provide a turnkey opportunity.

FOOD PROCESSING AND INNOVATION CENTER (FPIC)



The Product Center continues to work confidently towards establishing this newest component of the center to serve industry. Originally scheduled to be up and running by November 2016, the project was faced with some financial constraints in the spring that caused a delay for the construction start date. A return to the drawing board was made to make some changes to bring the project in line within grant and partner funding. With these and other issues addressed, the **FPIC** is looking toward a spring construction start with completion in the fall of 2017. On a bright note in June, an open house and industry intent day allowed companies to understand the capabilities of the **FPIC**. This was a 'sold out' event with over

100 companies and food industry professionals discovering the full potential of this unique processing facility. This resulted in commitments from 12 companies for over 250 days of use. The **FPIC** is designed to be Michigan's leading independent commercial food development, processing, packaging and research facility. It will provide a 'real time' production environment to support the creation of vibrant new food products, servicing the needs of both Michigan-based existing food businesses or larger scale startups in Michigan and the Great Lakes region. The **FPIC**'s unique advantage is it will be a fully licensed USDA/FDA certified food processing facility capable of creating new products or processes, and have the ability to produce full scale medium size production runs for the retail marketplace.



STRATEGIC RESEARCH GROUP (SRG)

A hallmark of the MSU Product Center, the **Strategic Research Group (SRG)** served a broad and diverse client base. The activities range from projects with national/global stakeholders, in-state stakeholders and the support of MSU research and teaching endeavors. Last year's integration of The Center for Economic Analysis (CEA) within the department of Agricultural Food and Resource Economics (AFRE) to the **SRG** has proven to be an extremely important addition given their significant research and analytical skills.

The **SRG** maintains a blend of ongoing and short-term research and outreach activities. Select examples of short-term projects conducted by the **SRG** were providing written testimony on the proposed changes to the USDA Organic Egg Regulation, research for the Michigan Wheat Growers Association and a feasibility study for the potential for soybean processing plant in the state.

Staff members correspondingly continue to track the state of the farm and food system through the Michigan Agri-Food Index. This semi-annual survey of Michigan's agri-food leaders indicates their degree of optimism concerning the current and future status of the industry, additionally, the **SRG** estimates and tracks the annual economic impact for the entire Michigan agri-food system.

Product Center analysts work regularly with various Michigan commodity groups. Analysts helped the tart cherry industry successfully secure bonus purchases of tart cherries of more than \$40 million from the federal government. A second year of activity with Mondelez International focused on the collaborative effort with member growers from the Michigan organization Co-Op Elevator to evaluate their agronomic practices in the context of environmental sustainability. The positive response to the output from these efforts has led Mondelez to fund the project for a third year.

The Product Center in collaboration with the MSU Department of Agriculture, Food and Resource Economics has developed a program for emerging store leaders/managers within the Kroger company's Michigan region. This program will be implemented in 2017.

An extensive strategic planning process in the last year with the Pokagon Band of Potawatomi in Dowagiac, MI considered the nexus of food/land/health and how they might develop new business ventures. The Product Center is partnering with the MSU Native American Institute on this effort.

As a component of the Product Center Strategic Research Services, the **Center for Economic Analysis (CEA)** research effort focuses on broader economic analysis for understanding policy, industry and environmental implications of agricultural systems. The **CEA** also collaborates with the USDA-supported North Central Regional Center for Rural Development in addressing issues

of rural regional development and entrepreneurship. **CEA** researchers collaborate with both MSU and non-MSU researcher and program administrators to better understand economic and social issues around agricultural production, economic development, business formation and entrepreneurship, and human health and nutrition.

CEA researchers have developed proprietary tools for measuring the value of food system productions that has been particularly effective in understanding the underlying structure and value of local food systems. This approach recognizes the interchangeability between conventional food channels and local food channels, providing policy makers a more robust interpretation of the value of agri-food systems. The **CEA** also collaborates with the Michigan



Farmers Market Association (MIFMA) to develop system-wide approaches to estimating the economic value of Michigan's many farmers' markets and

with the MSU Center for Sustainable Food Systems in understanding food justice implications of local food systems.

CEA researchers contribute to program outcomes around small business development. Currently, **CEA** researchers are working with the USDA to improve business access to Small Business Innovation Research (SBIR) grants and to evaluate grant outcomes. **CEA** researchers are engaged along many dimensions, for example, developing and promoting educational materials for private firms and university faculty, bridging program gaps between other relevant stakeholder groups such as the American Farm Bureau Federation and



the Michigan Small Business Development Center (MI-SBDC), and conducting research on the impacts of the USDA managed program on underserved communities and businesses. The SBIR program is a key conduit to advancing university and private technological advances in the marketplace.

One of the key objectives of the **CEA** is to facilitate economic and program evaluations to MSU research and MSU Extension programs. One project completed this year was the evaluation of the MSU Integrated Pest

Management (IPM) Program. Work has also begun on an extensive evaluation of Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs).

MAKING IT IN MICHIGAN CONFERENCE

The **Making It In Michigan Conference and Tradeshow** is the signature, annual event sponsored by the Product Center. The theme for this year's event was *Taste the Future, Cultivating Forward Thinking Strategies for Long-term Success* and was held at the Lansing Center. Participants heard from Mike and Denise Busley, owners of *Grand Traverse Pie Company*, in the keynote presentation where they talked about how their family has influenced decisions and played a role in the company. Participants were able to take advantage of eleven workshop sessions. The Marketplace Trade Show showcased **200 vendors** of locally made products to buyers representing retailers from across the state. New this year to the trade show was Michigan made beer and wine products.



Product Center Client Awards

Each year the Product Center recognizes clients with special awards at the annual Making It In Michigan Conference.

ENTREPRENEUR OF THE YEAR

THE GLUTEN FREE BAR was selected for this prestigious award. *The Gluten Free Bar* launched in 2010 with brothers Marshall and Elliott Radar and two partners, Ben Wahl and Jeremy Sher with a goal of producing a great tasting protein bar line made from high quality ingredients. Today they offer six flavors of bars and six flavors of snack-sized bites.



In 2013, the company was recognized by the Product Center with the *Start-up to Watch Award* and has been growing ever since. The business has expanded to new production facilities and now has 25 full-time employees. Sales have compounded at a 300% increase with distribution in 8,000 stores in US and Canada, including Meijer, SpartanNash, Whole Foods, CVS, Stop & Shop, Giant, Sprouts, The Fresh Market, Heinen's, numerous independent specialty stores, coffee shops, and over 40 distributors.

START-UP TO WATCH AWARD

DAVE'S SWEET TOOTH was recognized with this award for an up and coming company with great potential. Andrew Chmielewski began working with the Product Center in 2011 to produce the irresistible chocolate covered toffee which was a family recipe developed by his father. They have achieved 100% growth in sales each year for the last four years and are on target to exceed \$750,000 in 2016.

Future sales forecasts look bright as they have been picked up by the TJX group of businesses, including Home Goods, Marshalls, and TJ Maxx. These three store chains combined have almost 2,800 stores across the US. The toffee can be found in 124 Kroger stores in Michigan and was accepted by Amazon to sell on their site as a prime vendor. They are currently completing SQF certification to become a private label producer for some nationwide companies who want to feature their unique confection.



VALUE-ADDED AGRICULTURAL PRODUCER AWARD

Dan and Bonnie Blackledge of **B & B FARMS** were selected for this award that recognizes agricultural producers who have created or captured value outside of traditional commodity production. *B & B Farms* produces cold pressed canola oil from canola grown on their farm in Clare County. Dan is an innovative, forward-thinking entrepreneur, and leader in the canola industry and began growing canola in 2007. Initially bio-diesel processing options were first explored but it was later determined that there was more opportunity in the culinary oil market.



Since 2013 they have been pressing oil in their on-farm licensed kitchen. With approximately 100 acres in production on the third generation farm, *B & B Farms* remains one of two canola producers in Michigan. They have outgrown their pressing facility and are now under construction with a new facility for expanded processing. Their product is available in specialty and retail outlets across Michigan.

BARRIER BUSTER AWARD

The Barrier Buster Award is given to a client who has overcome a significant barrier to take the business to the next level. **CALEDONIA PACKING** owned by Mike and Barb DeVries is a custom slaughter facility, where they process beef, swine, lamb and goat as Federally Inspected or Custom Exempt product.



Caledonia Packing faced many challenges in obtaining their Federal Grant of Inspection. They spent countless hours and dollars upgrading the slaughter facility they had purchased to meet the standards of FSIS regulations. In July of 2015, they were able to run their first day as a federally inspected facility. In July 2016, Mike suffered an aortic valve rupture which almost claimed his life. Not deterred by the work ahead, Barb took on all of the responsibilities of the plant moving ahead with construction projects and improvements.

There have been rewards along the way - the facility increased sales by 77% between 2014 to 2015. Sales for the first and second quarters of 2016 have increased 55% over 2015. In 2015, *Caledonia Packing* had three full-time and five part-time employees. Today they have four full-time and eight part-time employees. *Caledonia Packing* has been able to overcome significant business and personal health challenges and is contributing to the west Michigan economy.

DIRECTOR'S AWARD

The Director's Award was presented to **WESTBORN MARKET** for their ongoing support of *Making It In Michigan* and commitment to providing opportunities for entrepreneurs to gain access to valuable shelf space. Their *Next SKU Could Be You* contest conducted each year at *Making It In Michigan* has helped many entrepreneurs break into the retail business. *Westborn Market* is seen as a leader in providing consumers with locally made products in their four stores across southeastern Michigan.



INNOVATION COUNSELOR OF THE YEAR

Each year the Product Center recognizes an innovation counselor who has demonstrated outstanding work. **BECKY DeYOUNG** received the recognition as the 2016 Innovation Counselor of the Year. *Becky* serves southeastern and mid-Michigan entrepreneurs. She joined the Product Center as an innovation counselor in 2010 and is well known for her assistance in helping clients access retail markets. Her practical, no-nonsense approach to business development is welcomed by clients along with her commitment to help them succeed.





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