

AGENDA PRIORITIES

24. Examine all of Michigan's food- and agriculture-related laws and regulations for provisions that create unnecessary transaction costs and regulatory burdens on low risk businesses and ensure that regulations are applied in a way that acknowledges the diversity of production practices.

MAKE A REGULATORY WAY FOR FOOD AND FARM ENTREPRENEURS

Nayyirah Shariff is on her way to an entrepreneur's life of making signature products, employing local people, and investing in her home state of Michigan.

The young woman from Flint has her marching orders from customers who have lined up every week to buy her sweet and savory fresh-baked, organic artisan breads. Now she's putting this test-market experience into planning her business future.

"I'm looking at putting in a commercial kitchen, and whether I want to focus on supplying restaurants or having my own storefront."



Photo by Patty Cantrell

Shariff's soon-to-be expanding company, Revolutionary Bread, was made possible by some regulatory wiggle room that the Michigan Legislature opened up in 2010 for home-based food entrepreneurs. She says the state's action made way for her to try out her products and ideas after a professor encouraged Shariff to pursue her business dream.

The Cottage Food Law, Public Act 113 of 2010, allows for non-potentially hazardous foods that do not require time or temperature control for safety to be produced in a home kitchen for direct, face-to-face sale to customers of up to \$15,000 per year. Before enactment, any food for sale to the public required entrepreneurs to produce it in a licensed commercial kitchen, which is a large investment of time and money for beginners.

Wendy Achatz is a Michigan entrepreneur who started her family's successful business by trying out their products at flea markets. Achatz Pies now has eight storefronts in Michigan, a commercial bakery, and 140 employees producing pies for stores across the Midwest and Mid-Atlantic. Achatz Pies uses Michigan fruit almost exclusively and, with a franchise plan in the works, expects those annual fruit purchases to increase to 15 million pounds in five years.

Achatz and her husband were able to rent space in a commercial catering kitchen for their initial pie baking. She's happy entrepreneurs like herself now have the Cottage Food option for getting started. "I think it's a beautiful thing. You really have to test the market before you can tell if you have a profitable business opportunity."

Opportunity

The Cottage Food Law addresses just one of the barriers food and farm entrepreneurs face with regulations that are generally written for larger scale operations and higher risk situations. Michigan has a great opportunity to grow jobs in the expanding market for local and specialty foods by examining the state's overall food law for unnecessary and unreasonable barriers to entrepreneurship.

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This regulatory review is underway in 2011 at the Michigan Department of Agriculture and Rural Development (MDARD). In addition to this attention from the agriculture department, other local and state officials, including economic development, need to prioritize this work. Jobs are on the line.

The Michigan State University Product Center for Agriculture and Natural Resources reports that if Michigan could increase the rate of agri-food startup success to a projected 851 per year, then the state could generate 23,020 direct and indirect jobs per year.¹ Ninety-seven percent of those jobs would come from small- and mid-scale startups. Cottage food entrepreneurs are among those the Product Center assists in its work to build such a pipeline of agri-food entrepreneurs in Michigan.

Need

Small businesses generally do not have the time, resources, or experience to manage all the research and paperwork that most government regulations require. Yet small businesses are also some of the most important engines of the economy. Making sure regulations do the needed oversight job without drowning entrepreneurs in paperwork is the trick to success for both government and entrepreneurs.

Action

Under a grant from the MDARD, the nonprofit Michigan Food and Farming Systems held listening sessions on this topic across the state in 2011 with food and farm entrepreneurs. Recommendations include calls for state officials to:

- *Engage a broader representation of stakeholders in rulemaking processes and other meetings regarding small business regulation.*
- *Assess small business needs and realities on an ongoing basis and set strategic goals to address them.*
- *Seek user input and feedback when developing print and Internet materials about regulations.*
- *Expand staff training to include small business perspectives, improve communication skills, and ensure consistency in how staff implements rules.*

1-2-3 Go!

The MDARD will soon wrap up its review of the state's food law and then introduce suggested changes to the state Legislature. It's important for people and businesses on the ground to have a voice in this process. You can get up to speed and get involved. Here's how:

- *Obtain information about the food law review and suggested changes from MDARD's Tom Tederington, tederingtont@michigan.gov.*
- *Prepare comments to share with MDARD and lawmakers.*
- *After lawmakers prepare legislation, they will hold committee hearings to review it and take public comment. You can stay tuned for such hearings by signing up for committee notices at house.michigan.gov and senate.michigan.gov.*

¹Peterson, HC, Knudson, WA, Abate, G. (2006) "The Economic Impact and Potential of Michigan's Agri-Food System" Strategic Marketing Institute Working Paper. The Product Center for Agriculture and Natural Resources at Michigan State University, No. 1-1606, January.