



Business Model: How to Scale for Growth

Emerging Farmer Learning Series

Michigan Farm & Food Businesses

Participant Workbook

Developed by:

Millie Chu

millie@globalbusinesslab.org

Your Name:

Business / Farm Name:

Global Entrepreneurship Business Lab

www.globalbusinesslab.org

Learning Objectives

By the end of this session, you will be able to:

- Understand 5 proven business models that work for Michigan farm and food businesses
- Identify which model best fits your operation's stage, location (urban vs. rural), and growth goals
- Apply the Values-Integrated Business Model Canvas to map how your values connect to profitability
- Structure your business for growth from early-stage through scaling, without compromising what makes you different

Session Overview

Time	Content
0:00–0:30	Part 1: Five Business Models — Direct-to-Consumer, Food Hub, Cooperative, Value-Added, Hybrid (with Agritourism & Contract Growing)
0:30–0:50	Part 2: The Values-Integrated Business Model Canvas — How values drive profitability through 9 building blocks
0:50–1:00	Part 3: Scaling Your Model + Resources — Growth stages, key takeaways, Michigan resources

Quick Self-Assessment

Before we dive in, take a moment to assess where you are:

Question	Your Answer
Business Stage:	<input type="checkbox"/> Planning <input type="checkbox"/> Year 1–2 <input type="checkbox"/> Year 2–5 <input type="checkbox"/> 5+ years
Location Type:	<input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural
Primary Revenue:	<input type="checkbox"/> Direct Sales <input type="checkbox"/> Wholesale <input type="checkbox"/> Both <input type="checkbox"/> Not yet

Part 1: Five Business Models for Michigan Farm & Food Businesses

Key Insight: *Most farms don't fail because of poor farming. They struggle because of poor business modeling. The product isn't the problem. The structure is. Your business model determines whether your commitment to doing things right becomes a cost center or a profit driver.*

Model 1: Direct-to-Consumer Sales

The Core Idea: You grow it or make it, you sell it—directly to the people who eat it. No middlemen.

What This Looks Like:

- Farmers markets (Michigan has 300+ statewide)
- Farm stands and on-farm stores
- CSA (Community Supported Agriculture) subscriptions
- Online ordering with delivery or farm pickup
- Restaurant direct sales

Why It Works: You control the narrative. Customers are buying your story, your practices, your local roots. That story is worth a premium—and you capture it directly.

Best Fit:

- Early-stage farms building a loyal customer base
- Urban farms with neighborhood foot traffic
- Producers with a compelling origin story or unique products
- Farms near population centers (Detroit, Grand Rapids, Ann Arbor, Lansing)

Think About: *Direct-to-consumer feels high-margin—and it is. But it's also high-labor. The question isn't just "Is this model profitable?" It's: Is it scalable without exhausting you?*

Michigan Examples:

- **Tantré Farm** (Chelsea) — Certified organic CSA with flexible share options
- **Argus Farm Stop** (Ann Arbor) — Consignment model, 200+ local producers set their own prices

My Notes — How might direct-to-consumer work for my operation? What would I need to consider around time and scalability?

Model 2: Food Hub / Aggregation

The Core Idea: Connect small and mid-sized farms to larger buyers—schools, hospitals, grocery stores—by aggregating, distributing, and sometimes processing local products.

Path A: Selling Through a Food Hub (As a Producer)

Institutional buyers want local—but they need volume, consistency, and simplified ordering. Food hubs combine production from multiple farms and handle logistics, opening markets you couldn't access alone.

Strategic Insight: Hub sales often mean lower margin per unit—but higher predictability. And predictability is a growth asset. The question isn't just "Is the margin smaller?" It's: Does this channel provide stability that supports growth?

Key Considerations for Producers:

- **Margins vs. Time:** What is your true margin after market labor, travel, unsold spoilage, and marketing effort?
- **Certification as Gateway:** GAP certification is a barrier to entry—but that means fewer competitors qualify.
- **Consistency Matters:** One missed delivery can jeopardize a long-term institutional relationship.
- **Cash Flow Timing:** Wholesale often means net-30 payment. Plan for the gap between delivery and payment.

Path B: Building a Food Hub (As an Aggregator)

Instead of growing food, you build the infrastructure that connects producers to large buyers. You earn margin on logistics, coordination, and market access.

Key Distinction: This is not a farming business. It's a logistics and systems business. Success depends on operational excellence, not agricultural skill.

Michigan Examples:

- **Sprout BC** (Battle Creek) — Food hub, SproutBox subscriptions, incubator kitchen
- **Eastern Market** (Detroit) — Distribution connecting regional farms to restaurants and grocers
- **Great Lakes Farm to Freezer** — Flash-freezing Michigan produce for year-round institutional sales

My Notes — Could I benefit from selling through a food hub? Am I optimizing for highest margin per unit or highest return per hour of owner time?

Model 3: Cooperative / Community-Owned

The Core Idea: Members—whether producers, workers, or consumers—share ownership. Profits are distributed to members or reinvested based on democratic decisions.

Types of Cooperatives:

- **Producer co-ops:** Farmers pool resources for shared marketing, equipment, processing
- **Worker co-ops:** Employees own the farm or food business together
- **Consumer co-ops:** Community members invest in and own their local food source
- **Multi-stakeholder co-ops:** Combine producers, workers, and consumers as member-owners

Why It Works: Cooperatives align structure with values. Shared ownership, community wealth-building, and democratic governance are built into the legal and financial model—not just the marketing.

Michigan Examples:

- **Organic Valley** — 1,600+ family farms nationally, including Michigan dairies. Collective marketing and shared risk.
- **Oryana Community Co-op** (Traverse City) & **People's Food Co-op** (Ann Arbor) — Consumer retail co-ops prioritizing local producers.
- **Detroit People's Food Co-op** — Black-led, community-owned grocery co-op, opened May 2024. Centering food access, equity, and member governance.

Key Considerations:

- Democratic governance takes time—decisions can be slower
- Requires ongoing member education about financials, roles, and rights
- Outside investment may be limited; capital often comes from members
- Success depends on active member commitment and engagement

Facilitator Note: *If you're thinking about starting a co-op, consider joining or participating in a couple of existing co-ops first. Experience how they operate from the inside before building your own.*

My Notes — Would shared ownership align with my values and goals? What would I want to learn more about?

Model 4: Value-Added Products

The Core Idea: Transform raw agricultural products into higher-margin processed goods—jams, sauces, flour, cheese, frozen products, prepared meals, and more.

***This model directly solves Michigan's biggest challenge: seasonality.** You can sell tomato sauce in February. Your strawberry jam generates revenue in December. Your income isn't compressed into one short harvest window.*

The Economics:

- A \$3 basket of tomatoes becomes a \$12 jar of salsa
- A \$15 bushel of apples becomes \$80 worth of apple butter
- You're increasing value per pound—not just increasing pounds

Why It Works for Values-Driven Producers:

- **Year-round revenue:** Processed products sell long after harvest ends
- **Pricing power:** A branded product is harder to compare to the grocery store
- **Waste reduction:** Surplus and seconds become higher-margin products
- **Brand recognition:** Processed products become ambassadors for your whole operation

Michigan Examples:

- **Westwind Milling** (Linden) — Heritage grains and stone-milled flour
- **American Spoon** (Petoskey) — National brand built from Michigan fruit preserves
- **Kapnick Orchards** (Britton) — Apples plus cider and donuts that draw customers to the farm

Key Considerations:

- Requires licensed commercial kitchen (cottage food laws cover some items)
- Food safety, labeling requirements, and liability insurance matter
- Different skill set than growing—recipe development, consistency, branding
- Start small: test demand before scaling production
- **MSU Product Center** offers free help developing and launching food products

***Remember:** Value-added works best when you treat it like a product launch, not just a recipe.*

My Notes — What products could I create from what I already grow? How could value-added extend my season and my brand?

Model 5: Hybrid / Blended Revenue

The Core Idea: Combine multiple revenue streams strategically. Diversification is the strategy. Most successful operations layer complementary streams that balance each other's weaknesses.

Common Hybrid Combinations:

- **Farmers Markets + CSA:** Markets bring weekly cash; CSA provides spring capital before harvest
- **Direct Sales + Restaurant Wholesale:** Direct captures premium; restaurants take consistent volume
- **Fresh Produce + Value-Added:** Fresh for peak season; processed goods extend into off-season
- **Production + Agritourism/Education:** Experiences generate income and turn visitors into loyal customers
- **Food Hub + Direct Retail:** Hub handles volume; direct captures premium pricing

Hybrid Spotlight: Agritourism & Experiences

Turn your farm into a destination—U-pick, farm tours, farm dinners, weddings, corn mazes, farm stays. Visitors who come for experiences become customers for products. Agritourism is revenue and marketing that people pay to experience.

Hybrid Spotlight: Contract Growing

Secure the buyer first, then plant. You grow into committed demand—restaurants, breweries, processors—with predictable revenue before the season begins.

Strategic Insight: *Contract margins may be lower than direct-to-consumer, but certainty has value. A guaranteed volume helps you plan labor, support investments, and improve cash flow forecasting.*

Michigan Hybrid Examples:

- **Zingerman's Cornman Farms** (Dexter) — Working farm + restaurant supply + weddings/events
- **Gull Meadow Farms** (Richland) — U-pick + farm market + 30+ agritourism activities
- **Hop Head Farms** (Hickory Corners) — Contract hops for Michigan craft breweries
- **Tantré Farm** (Chelsea) — Organic CSA + farmers markets + restaurant wholesale + events

Key Considerations:

- Complexity increases—each stream has different requirements
- Risk of spreading too thin: excellence in three areas beats mediocrity in seven
- Requires clear systems for tracking, scheduling, and inventory
- Every stream should reinforce—not distract from—your core value proposition

Remember: *Hybrid isn't about doing more. It's about building complementary streams that support each other.*

My Notes — What combination of revenue streams would work for my operation? Which streams would reinforce each other?

Model Comparison: Quick Reference

This isn't about picking a winner—it's about understanding trade-offs. Most successful operations combine elements of several models.

Model	Best For	Margin	Key Challenge
Direct-to-Consumer	Early-stage, story-driven, urban proximity	Highest	Time-intensive, limited scale
Food Hub	Volume producers, institutional sales	Lower (trade margin for volume)	Consistency, certifications
Cooperative	Shared resources, community ownership	Variable	Governance complexity
Value-Added	Extending season, brand building	High	Regulations, equipment, skills
Hybrid	Risk reduction, seasonality, scaling	Blended	Complexity, focus dilution

Model Fit Assessment

Based on what you've heard so far, rate your interest in each model (1 = Not a fit, 5 = Strong fit):

Model	Rating	Why?
Direct-to-Consumer	1 2 3 4 5	
Food Hub	1 2 3 4 5	
Cooperative	1 2 3 4 5	
Value-Added	1 2 3 4 5	
Hybrid	1 2 3 4 5	

Part 2: The Values-Integrated Business Model Canvas

The Business Model Canvas is a one-page tool that maps how your business creates, delivers, and captures value. This adapted version shows how your commitment to local sourcing and environmental practices integrates with profitability.

The Nine Building Blocks

As each block is discussed, jot down how it applies to your farm or food business.

Building Block	Key Question
1. Customer Segments	Who are you creating value for? Do they value what you value?
2. Value Propositions	What makes someone choose you instead of the grocery store?
3. Channels	How do people find and buy from you? Do your channels reinforce your story?
4. Customer Relationships	Are you building transactions, or relationships?
5. Revenue Streams	Where does your money come from? Are you pricing for the value you create?
6. Key Resources	What do you need to deliver on your promises? Land, skills, reputation, capital?
7. Key Activities	What must you do exceptionally well? Where would weakness hurt most?
8. Key Partnerships	Who helps make your model work? Other farms, hubs, support orgs?
9. Cost Structure	What does it really cost to operate your values? Do you capture enough premium?

How Values Create Competitive Advantage

Your values are not separate from profitability. They become profitable when intentionally built into your model.

Local Sourcing & Community	Environmental Practices
<ul style="list-style-type: none">• Attracts less price-sensitive customers• “Michigan-grown” commands a premium• Face-to-face builds loyalty competitors can’t replicate	<ul style="list-style-type: none">• Certifications can justify premium pricing• Healthy soil reduces long-term input costs• Environmental story deepens customer connection

Values-Integrated Business Model Canvas Worksheet

Fill in each section to map your business model. Think about how your values integrate into each block.

<p>1. Customer Segments</p> <p><i>Who are you creating value for? Do they value what you value?</i></p>	<p>2. Value Propositions</p> <p><i>What makes someone choose you instead of the grocery store?</i></p>	<p>3. Channels</p> <p><i>How do people find and buy from you? Do your channels reinforce your story?</i></p>
<p>4. Customer Relationships</p> <p><i>Are you building transactions or relationships?</i></p>	<p>5. Revenue Streams</p> <p><i>Where does your money come from? Are you pricing for the value you create?</i></p>	<p>6. Key Resources</p> <p><i>What do you need to deliver on your promises? Land, skills, reputation, capital?</i></p>
<p>7. Key Activities</p> <p><i>What must you do exceptionally well? Where would weakness hurt most?</i></p>	<p>8. Key Partnerships</p> <p><i>Who helps make your model work? Other farms, hubs, support orgs?</i></p>	<p>9. Cost Structure</p> <p><i>What does it really cost to operate your values? Do you capture enough premium?</i></p>

Four Questions to Test Your Model

Use these to pressure-test your business model before you expand, invest, or scale.

1. Who is your ideal customer—and do they share your values?

If they don't value what makes you different, you're competing on price alone.

My answer:

2. What's your unique advantage—and are you pricing for it?

Your story, practices, and relationships are worth a premium. Profitability isn't greed—it's sustainability.

My answer:

3. Do your channels match your message?

Some channels communicate your values naturally. Others can dilute them.

My answer:

4. Is your model sustainable—for you?

Can you pay yourself fairly? Can you rest? A model that burns you out isn't sustainable.

My answer:

Part 3: Scaling Your Model + Key Takeaways

How Models Evolve as You Grow

Your business model isn't static—it should evolve as your operation matures. Your model should match your stage and your experience.

Stage	Typical Model Focus	Key Priority	
Startup (Yr 1–2)	Direct-to-consumer (markets, small CSA)	Prove product-market fit, build loyal base	
Growth (Yr 2–5)	Hybrid: direct + wholesale + value-added	Systematize, diversify, hire help	
Scale (Yr 5+)	Strategic mix: hub for volume, direct for premium	Sustainable profitability, succession planning	

Key Takeaways

1. Your values are a competitive advantage—price for them. Customers who share your commitment will pay a premium.
2. Choose channels that communicate your story. Direct sales build relationships. Wholesale moves volume. The best model often combines both.
3. Your model will evolve—and that's fine. Start simple, prove what works, add complexity as you grow.
4. Diversification reduces risk. Michigan's seasonality makes multiple revenue streams almost essential.
5. Sustainability includes YOU. Build a model that pays you fairly and gives you a life.

“Seasons will always change. A strong model turns change into growth.”

— Millie Chu, Global Entrepreneurship Business Lab

My Action Plan

Based on this session, capture your next steps.

My Primary Business Model (or combination):

Write your chosen model or combination here:

Three Actions I Will Take in the Next 30 Days:

1

2

3

Resources I Need to Explore:

Which resources from the list below will I check out first?

Questions I Still Have:

What do I want to learn more about or follow up on?

Michigan Resources

Business Development

- **MSU Product Center** — canr.msu.edu/productcenter — Food product development assistance
- **Michigan Good Food Fund** — migoodfoodfund.org — Loans and grants for food businesses
- **Michigan SBDC** — sbdcmichigan.org — Free business counseling and training

Technical Assistance

- **MSU Extension** — canr.msu.edu/outreach — Research-based education for farms
- **MSU Center for Regional Food Systems** — canr.msu.edu/foodsystems — Food system research
- **Michigan Food and Farming Systems (MIFFS)** — miffs.org — Sustainable agriculture support
- **Michigan Organic Food and Farm Alliance (MOFFA)** — moffa.org — Organic certification support

Market Access

- **Michigan Food Hub Network** — canr.msu.edu/michigan-food-hub-network — 40 food hubs statewide
- **Taste the Local Difference** — localdifference.org — Local food marketing agency
- **Michigan Farm to Institution Network** — mifarmtoinstitution.org — School/hospital sourcing
- **Michigan Farmers Market Association** — mifma.org — Market support and training

Additional Resources

- **10 Cents a Meal for Michigan's Kids & Farms** — tencentsmichigan.org — School produce purchasing
- **MDARD Farm to Family Program** — michigan.gov/mdard — Food hub and farm stop grants
- **Michigan Cottage Food Law** — michigan.gov/mdard/food-dairy/cottage-food — Home-based food sales
- **Food Co-op Initiative** — fci.coop — Resources for starting food co-ops
- **Business Model Canvas** — strategyzer.com/canvas — Framework and templates
- **USDA GAP/GHP Certification** — ams.usda.gov/services/auditing/gap-ghp — Food safety audit info

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