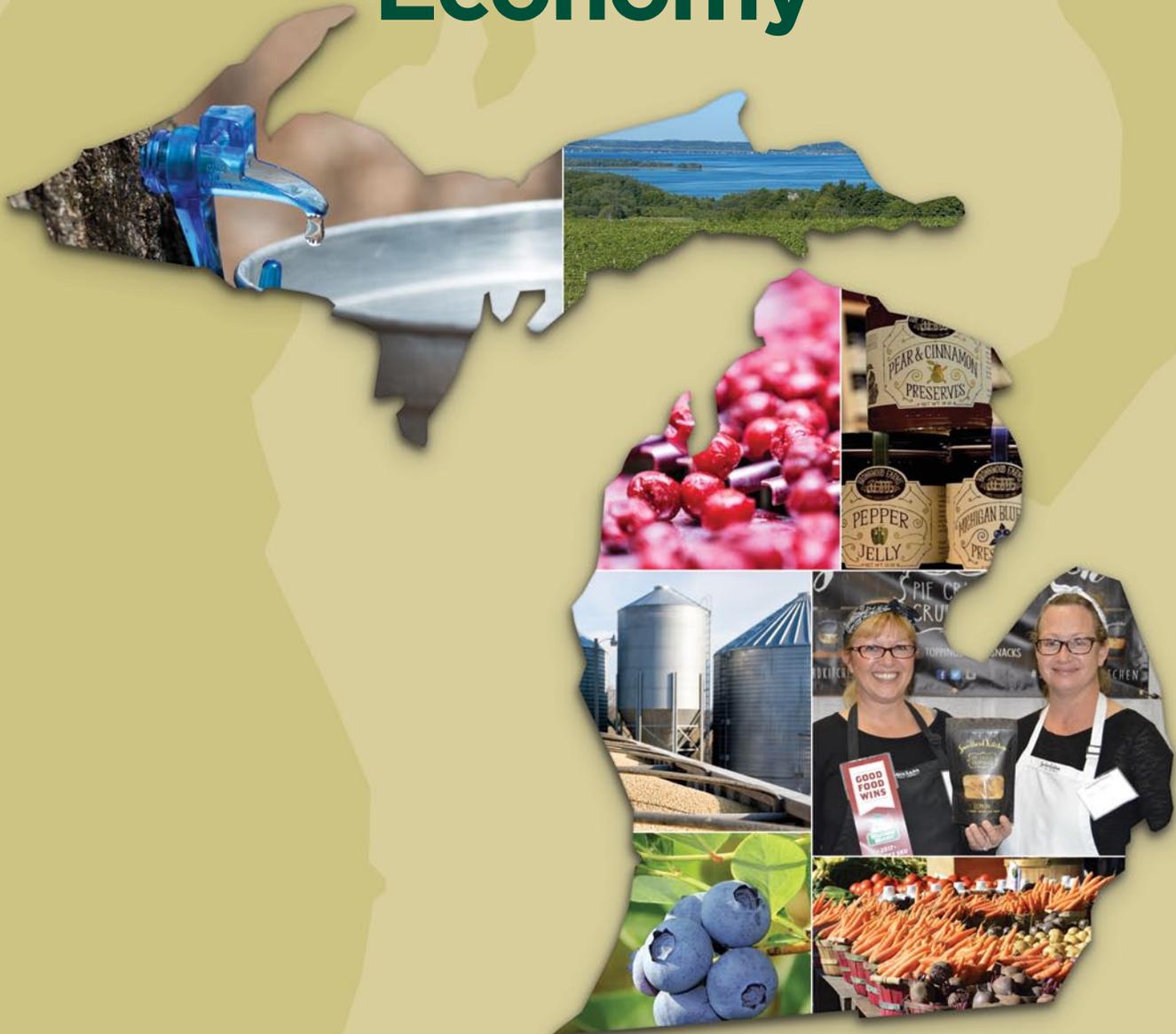




Growing **Entrepreneurs** and the **Michigan** **Economy**



From the Director

To Our Stakeholders:

In reflecting upon my first year at the MSU Product Center, above all, I am very grateful to have the opportunity to work with you and with the center's terrific staff. So much of our success is attributable to our internal and external funders and partners:

- The many MSU faculty and specialists, who assist our clients with addressing a host of needs
- Our many external stakeholders, who foster both entrepreneurs and the Product Center
- Our MSU funders and partners: AgBioResearch, College of Agriculture and Natural Resources, Department of Agricultural, Food and Resource Economics, Center for Regional Food Systems, MSU Extension, MSU Undergraduate Entrepreneurship Program, Project GREEN, and the university itself
- Our external funders and partners: Michigan Department of Agriculture and Rural Development, Michigan Economic Development Corporation, Michigan Farm Bureau, Michigan Integrated Food and Farming Systems, U.S. Economic Development Administration, USDA Rural Development and our many other large and small friends and partners

Thank you!

The Product Center is a values-driven organization – a social enterprise. Our passion is improving the lives of our clients by helping them to start and grow successful businesses in the food, agriculture and natural resources sectors and contributing to the well-being of all the people of Michigan through our economic impact. Our staff is truly a group that works with their hands, heads and hearts. My thanks and admiration

for the everyday miracles you perform to:

- Our campus staff, which helps clients with feasibility studies, food safety, labeling, market analysis, monitoring and evaluation, product testing, research, and scaling larger enterprises as well as staging major events such as Making It In Michigan
- The innovation counselors, who provide business coaching in the field to agricultural and food product businesses throughout Michigan

All of these individuals and organizations have contributed to a strong Fiscal Year 2016-17 as evidenced by our impact metrics. (See the summary table.)

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

- Our venture development, specialized services, strategic research, and cooperative development service lines
- The funding and approval of our Food Processing and Innovation Center (FPIC), which celebrated the start of construction with a groundbreaking ceremony in May
- Our strategic research services, including those of the Center for Economic Analysis
- The Making It In Michigan Conference and Trade Show
- Our award-winning clients



Thomas S. Lyons, Ph.D.



Our successes in FY 2016-17 have paved the way for a very exciting FY 2017-18. In November 2017, we will celebrate the 10th annual Making It In Michigan. In December 2017, construction will be complete on the FPIC, and in early 2018, it will welcome its first clients. We look forward to telling you all about these things, and more, in our next annual report.

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 2016-17 |
|--|-----------------|---------------------|
| One-on-one client counseling sessions | 51,268 sessions | 4,164 sessions |
| Assistance with business concept development | 4,931 clients | 476 clients |
| Venture start-ups (based on a commencement and continuation of planning for a new business or an expansion for an existing business) | 2,551 clients | 282 clients |
| Specialized services (including product testing, market analysis, and feasibility studies) | 2,935 clients | 389 clients |
| Venture launches (commencement of economic activity for new or existing businesses through new sales, investment, or employment) | 634 ventures | 91 ventures |

The Product Center’s assistance in launching **634 known new businesses and business expansions** since its inception has had the following estimated economic impacts:

- **Increased annual sales: \$402.3 million (cumulative first year sales only)**
- **Value of increased investment: \$425.3 million**
- **Jobs created: 1,995; Jobs retained: 1,272**

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. Nine innovation counselors across the state located in county MSU Extension offices 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 the supply chain were key services that were provided.

The Product Center partnered in many outreach activities and programs with key collaborators such as the MSU Center for Regional Food Systems, the Michigan Good Food Fund, USDA Rural Development, and the Michigan Department of Agriculture and Rural Development.

Three hundred eighty-nine clients received specialized services offered by campus staff and faculty such as feasibility studies, product classification and process authority review, nutritional labeling, food science, food processing and safety, and packaging assistance. These technical services were provided by both Product Center staff and other campus specialists.



Cooperative Development

Product Center staff continue to administer the Michigan Cooperative Development Program funded by USDA Rural Development. A cooperative leadership conference was held in January for cooperative directors focusing on strategic planning, communications strategies, and legal duties. In September, a series of conferences were held in Traverse City, Grand Rapids and Ann Arbor designed to assist small cooperatives and those beginning to organize a cooperative. The Product Center provided training to prepare new directors for their role in serving on the board for the state's largest dairy cooperative. In addition to these program offerings, one-on-one assistance is provided to address specific needs of individual cooperatives.

Product Center staff continue to work with a wide range of cooperative entities in a number of industries across the state. These include a potential bison cooperative, a potential sheep and goat cooperative, a solar energy cooperative, a brewers cooperative, housing cooperatives and several food cooperatives. The cooperative business model requires careful organization and management. The Product Center is ensuring these unique businesses have the tools needed for success.



Strategic Research Group

Product Center staff finished work on two Strategic Growth Initiatives under contract with the Michigan Department of Agriculture and Rural Development. The first was with Monroe County to assess the potential for a soybean processing plant in the Southeast corner of Michigan bordering Ohio. The second was a project with the Michigan Wheat Growers to assess the status and potential of Michigan's wheat industry. Both of these projects provided critical assessment that was needed for decision making by public officials and agricultural leaders.



This summer the Product Center spearheaded the very first executive training program for the Department of Agricultural, Food and Resource Economics (AFRE), entitled MSU/Kroger Emerging Leader Training Program (ELTP). Twenty-one leaders (various levels of store managers) from the Kroger Corporation, Michigan region, were selected by their human resource department to participate in this intensive, four-day program at the Michigan State University (MSU) Henry Center for Executive Development.



Product Center staff worked in collaboration with AFRE faculty members, designed the program and brought in nationally known retail expert Harold Lloyd and other MSU faculty members to participate in the program. Topics included leadership, goal setting and customer relations. A computer simulation session was offered where Kroger associates were placed into teams and competed against each other in running their respective companies. The ELTP was well received by the participants and Kroger senior management. Discussions are taking place to expand the program into multiple sessions in 2018.

Two articles for Michigan Farm News were written in January of 2017. One article dealt with the implications of interest rates and Federal Reserve Bank policy on agriculture and the other article was a brief situation and outlook analysis of farm input costs. Product Center staff continue to monitor the confidence of Michigan's agri-food system through the Michigan Agriculture and Food Index.

Additionally, Product Center staff analyzed the economic impact of Veterinary Medicine on behalf of the MSU College of Veterinary Medicine and conducted feasibility studies for several Product Center clients.

Center for Economic Analysis

Center for Economic Analysis (CEA) actively engages with MSU's stakeholders, advances current projects, and pursues new funding and research opportunities important to MSU's stakeholders. While all the projects appear diverse, the common thread for the center's participation is the expertise in applied model development for addressing policy-oriented questions around economics, finance and the environment.

CEA led the research component of the USDA-MSU collaboration that also included the MSU Center for Regional Food Systems and Michigan Fair Food Network. While the project was primarily focused on Michigan's Double Up Food Bucks (DUFEB) program economic impacts at farmers markets, the implications are of national significance. CEA's research was the main focus of a series of national-level presentations and discussions. DUFEB match dollar for dollar Supplemental Nutrition Assistance Program (SNAP) expenditures on fresh produce. Research on this project indicates that those growers who market directly to consumers through farmers markets benefit through consumer access to this program and, the program enhances fresh food purchases by more than the value of the vouchers.

Additionally, CEA recently released a report on strategies for measuring and tracking campus sustainability at MSU. The MSU Office of Sustainability is charged with improving the campus ecological footprint, but without data and proper metrics, this task would not be viable. CEA identified resources for measuring the campus ecological footprint and developed



a multi-prong approach to tracking relevant measures of sustainable outcomes across all functions of MSU.

Other MSU projects include an expansive study of the economic impacts of the MSU Facilities for Rare Isotope Beams, and an assessment of the distribution of university employees. Both efforts were undertaken on behalf of the MSU Office of Governmental Affairs.

Over the years, CEA has become a premiere resource for measuring the economics of agri-food value chains. CEA has assessed the size of the Chicago regional local food network, reported out the potential and actual economic impacts of Michigan's budding craft beer industry, and worked with the Michigan Farmers Market Association to develop a turnkey application for Michigan farmers markets to estimate their community economic impacts. CEA has developed peer reviewed proprietary algorithms for undertaking these studies.

CEA collaborated with other MSU faculty and the U.S. Army Corp of Engineers to better understand the economic threats of Asian carp invading the Great Lakes. The Trump administration released this long-awaited report in August of 2017. Other Army Corp projects include an economic perspective of the risks to an unexpected closure of the Sault St. Marie Poe Lock and the recently compiled economic and sociological implications of redeveloping U.S. urban and rural greenspaces. CEA also continues to provide bi-annual forecasts of the Michigan economy, which can be found at www.cea.msu.edu/economic-forecast.

Finally, CEA's research, extension, and outreach efforts also impact national-level stakeholders, and place MSU in the national spotlight. One example includes the USDA National Institute of Food and Agriculture (NIFA) funded project, "Launching Innovations from the University Starting Gate," which is focused on economic development opportunities with university developed innovations. Another example is CEA's engagement with the North Central Regional Center for Rural Development on the Small Business Innovation Research (SBIR) Program, in which CEA was a part of a national-level extension collaboration to encourage program participation, especially by minority- and women-owned enterprises. Through these and similar efforts, CEA is establishing relationships with organizations such as the American Farm Bureau Federation and creating more visibility for MSU resources.

Food Processing and Innovation Center

After a disappointing overrun in construction costs for the Food Processing and Innovation Center (FPIC) last year, the team – never giving up on its dream – headed back to the drawing board to rework some of the components of the FPIC and bring it back to within the budget allocation for the project. Without losing its operational mission and vision, the FPIC team, architects, and engineers produced an outstanding outcome with a successful on-budget construction bid being secured in April



this year. With construction well underway, a groundbreaking event was held with internal stakeholders and external partners who have made the FPIC a reality. Moving forward, the FPIC team has turned to working with equipment suppliers, regulatory authorities, and industry collaborators to bring all the pieces together to open the doors in late December.

The FPIC will be an excellent resource to offer to clients and will add a significant asset to food processors in Michigan and the Midwest, providing access to an operational and regulatory compliant facility with sophisticated processing equipment for the development of new products. This facility is projected to grow the food processing capacity in the state and, in turn, grow the Michigan economy.

Making It In Michigan Conference

The Making It In Michigan Conference and Trade Show is the signature, annual event sponsored by the Product Center.

This year was the tenth anniversary of Making It In Michigan with the theme, "A Decade of Creating Opportunity and Accelerating Innovation." Participants heard from Howdy Holmes, Chief Executive Officer and President of Chelsea Milling about the strategies he used when he returned to the company and led the transformation of the 100-year-old family business. Today, the company's "Jiffy" brand is the market-share leader in retail prepared baking mixes.

Participants were able to take advantage of 11 workshops designed to assist entrepreneurs in starting or expanding food businesses. The Marketplace Trade Show showcased vendors of locally made products to buyers representing retailers from across the state.



A DECADE OF CREATING OPPORTUNITY AND ACCELERATING INNOVATION.

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 Kitchen, Inc. was selected for this prestigious award. Bob and Patti Watson, owners of the The Kitchen, Inc., have been in the industrial catering business for many years evolving from sandwiches out of a small convenience store when they started to producing in their current operation that prepares a complete product line of breakfasts, hot and cold sandwiches, salads and specialty items such as pizza made from scratch.



The Kitchen, Inc. came to the Product Center for assistance in becoming a USDA federally inspected facility, which would expand markets for them. This effort was led by Courtney Watson, daughter of the owners, who serves as the food safety manager for the company. Early in 2017, they moved into a new 10,000 square foot state-of-the-art facility in Sterling Heights that has dual regulation, being both FDA and USDA inspected.

They currently have 38 full-time employees, an increase of 25% since becoming a USDA inspected facility. They have over 100 customers serving vending companies that provide foods to schools and government buildings and food trucks. Since moving into their new facility, their production volume has increased by 20,000 units a week and has resulted in a 37% increase in sales.



Start-up to Watch Award

Nutcase Vegan Meats was recognized with this award for an up-and-coming company with great potential. Andrew Maternowski and Monica Randles are a husband and wife team that started the company and are both board certified physicians who recognized the need for great tasting protein products that are satisfying. Andrew and Monica created a flavorful walnut-based “meat” which is gluten-free, soy-free, and corn-free. They are selling three flavors of sausage with a fourth in development. They have also created a burger patty, which holds together in cooking. They sell their products frozen, and consumer response has been very positive.



The business started manufacturing in 2016 at the Downtown Market in Grand Rapids, and has created six part-time jobs. They believe in a livable wage and will transition these jobs to full time with benefits as the business grows.

They are outgrowing the incubator space, and are currently looking to move into their own manufacturing facility. This will allow them to increase capacity to 800 pounds of product per week.

Nutcase Vegan Meats is featured on seven Michigan restaurant and country club menus. Their products are sold in 15 stores across the Lower Peninsula and Wisconsin, plus they are partnering with Creative Dining Services and Google of Ann Arbor.

They have done a great marketing job, with a beautiful website and Facebook and Instagram presence. They are often found doing demos in stores as well. Orders from the website are growing, and they are successfully shipping frozen products across the country in a recyclable shipper.



Value-added Agricultural Producer Award

Kris and Steven Van Haitisma were selected for this award that recognizes agricultural producers who have created or captured value outside of traditional commodity production. Mud Lake Farm specializes in greens, micro-greens and herbs for specialty markets selling to restaurants and through Community Supported Agriculture (CSA). They are interested in sustainability and utilize biomass-heated hydroponic greenhouses for year-round production.



In 2014, they added a processing room and began selling handcrafted cordials made from elderflowers and ginger grown on the farm. In the past year, they began canning craft sodas from their cordials under the name St. Steve's Cordials and Sodas. The customer reaction



has been very strong and the cordials and sodas are now carried in over 90 locations in Michigan and are shipped across the country through website sales.

Barrier Buster Award

The Barrier Buster Award is given to a client that has overcome a significant barrier to take the business to the



next level. Cooper Family Spreads makes jams and jellies in their west Michigan licensed kitchen and distributes throughout west Michigan and the Detroit area. The family operation is run by a mother and son, Elaine and Jesse Cooper.

The business started in 1994, after Elaine's husband unexpectedly passed away. In 2009, Elaine and Jesse moved to their current location and built a larger licensed kitchen where they now make products more efficiently.

Due to their faith, they face particular challenges in how they can communicate, present and market themselves. They do not have a computer in their home or business so they cannot search for and compare suppliers, create promotional materials, receive email attachments, or easily have a web or Facebook page.

They have grown their business through ambitious face-to-face marketing to small and medium retail outlets throughout west Michigan, and



have traveled to Detroit and Chicago to make additional connections.

Elaine and Jesse have shown incredible determination and courage in meeting each challenge head-on as

it presents itself, finding creative adaptations to keep them moving forward with their business. Cooper Family Spreads are currently in over 80 stores in west Michigan and Detroit. With more capacity to produce, they are offering a private label service to bed and breakfasts, resorts, and small companies wanting custom jams and jellies or similar products. They are continually reaching out to expand their presence in small to medium size markets in Michigan.

Director's Award

The Director's Award was presented to Clara Cookies for the company's social entrepreneurship commitment.



Rebecca

Cruttenden, founder of the company is also the founder of Team Orphans, which endeavors to help abandoned children with special needs by competing in Ironman events in their honor. She has raised over \$200,000 in the last six years for Team Orphans adoption grants and has helped 40 children come home to forever families since 2010. Her personal lifetime goal is to raise one



million dollars. She also directs the Team Orphans Cookie 5K every summer in Grand Rapids. She is clearly an excellent organizer who knows how to motivate people and achieve results.

Rebecca started making protein cookies four years ago for her Ironman training and

racing because she was tired of peanut butter and jelly sandwiches. As she shared them with family and friends, the demand made it clear that she was onto something with greater potential. Her husband encouraged her to turn it into a business to support Team Orphans and adoption. She created a marketing plan that capitalized on athletes' desire to compete for a good cause, as well as businesses who support them, and people who need gluten free products.

Clara Cookies are individually wrapped, large, gluten free protein cookies that can be used for training, a tasty meal replacement, or snack. All cookies are prepared, baked and packaged by the 16-member volunteer Clara Cookies Baking Team. Hundreds of children help each year by applying the labels. The cookies are delivered by

volunteers to 30 locations in the Grand Rapids area, including Premier Food Service with dining services in five large business locations.

Rebecca has boundless energy, and is always cheerful, positive and determined regardless of challenges and transitions. It is a rare entrepreneur who creates a successful product to her own specifications, recruits, motivates and manages a team of volunteers to produce it, and ultimately gives the profits away for the good of others. Her tagline is: "Clara Cookies - Supporting adoption grants one cookie at a time."

Innovation Counselor of the Year

Each year the MSU Product Center recognizes an innovation counselor who has demonstrated outstanding work.

Wendy Wieland received recognition as the 2017 Innovation Counselor of the Year. Wendy has served as an innovation counselor with the Product Center since 2004. She serves the northwest part of the Lower Peninsula and has worked with 78 clients in the past year. This work has resulted in the creation of 40 new jobs, \$2.3 million in new sales, and \$1.6 million in capital investment.



Wendy is sought after for her skill in assisting clients in developing and expanding value-added agriculture operations. She has worked with farms, wineries, maple syrup producers, and farm markets. She has been a leader in the Northern Michigan Small Farm Conference that helps to build a local network of small farms, community businesses, and local government with a goal of building the local food economy.



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