

# ProductCentral

News and advice from the MSU Product Center.



## Annual 'Making It In Michigan' Confer-

**ence-** The Product Center is always a hive of activity with daily business counseling and client projects. One event that sends the team into an added frenzy and has them buzzing around the



office in preparation is the annual Product Center conference.

I am delighted to announce that this year's conference will be held at the [Click Here](#)

## Success Story



How Maeder Brothers willingness to make changes and adapt to the current business environment helped them become wood pellet producers [Click here for more..](#)

## Ask the Experts

### From Recipe to Launch



Nutritional labeling - Where do the numbers come from? [Click Here](#)

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What to know when approaching retail buyers

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## Hot Topics



Bill Knudson weighs in on economic slowdown and the consumer [click here](#)

## Schedule of Upcoming Events

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# Economic Slowdown is Affecting Consumer Behavior

By: Bill Knudson

Higher food and fuel prices, falling home values, a stagnant labor market and general economic uncertainty have all changed the buying habits of many food consumers. Today's consumers are becoming more value conscious and are less interested in high-priced luxury goods. The difficult economic conditions have also affect the retail environment.

According to David Orgel of Supermarket News, included in the categories showing a decline in sales are prepared meals and some health foods. In the current retail market many food item unit sales are flat due to food inflation. For example, dollar sales of eggs are up 28.7 percent and dollar milk sales are up 14 percent when compared to the previous year due only to the higher prices of these items.

The market is seeing an increase in "trading down," a trend where consumers are substituting low price items for higher priced items. Sales of flour and cooking mixes are higher, while sales of prepared foods are declining.

Another issue is the increasing market share of supercenters such as Wal-Mart and Meijer's. Sales at these types of stores increased by 1.4 percent from 2007, while supermarket sales declined by 0.2 percent. Additionally, it appears that consumers are combining trips to save on gas and are becoming more price sensitive. Both of these trends work to the advantage of large supercenters, who offer one-stop

shopping and low prices.

In difficult economic times pricing decisions become even more important. Price premiums become more difficult to obtain, especially if the product does not provide truly unique attributes in the eyes of consumers.

One potential way to improve your bottom line in these difficult times is to promote your product as locally produced. Consumers are increasingly interested in locally sourced food because they perceive it as being fresher and healthier. Also, transportation costs are lower for locally sourced food compared to foreign foods or foods that come from distant states. One way to link up with producers and buyers of locally produced foods is through MarketMaker, an interactive mapping system for Michigan, which locates businesses and markets of agricultural products. You can access and register for MarketMaker at <http://mimarketmaker.msu.edu/>.

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# Maeder Brothers Quality Wood Pellets, Inc.

By Tom Kalchik

A pellet mill is a facility that presses wood chips, sawdust, and other biomass into very dense small, cylindrical pellets that can be burned in properly designed home stoves and furnaces, as well as used as fuel for large industrial boilers. The Product Center provided assistance to a family business near Mt. Pleasant to start a new wood pellet business.

Before we discuss Maeder Brothers Quality Wood Pellets, we need to learn a little about another company called Maeder Brothers Sawmill. Brothers Gereld and Russell Maeder started Maeder Brothers Sawmill in 1952. Through hard work and good business planning, the saw mill prospered near Weidman, Michigan, northwest of Mt. Pleasant. The next generation of Maeders (Gereld's sons Rick and John with Russell's daughter Jane and son Tom) continued the good business planning and hard work to keep the saw mill prosperous.

We had the opportunity to ride with Rick and learn more about the businesses and the philosophy of Maeder Brothers. According to Rick, everyone was expected to learn every part of the business, from buying timber to piling lumber. Now the four siblings divide sawmill responsibilities. Jane runs the office and keeps the records for the business. John is responsible for the day-to-day operations at the saw mill. Tom is responsible for running the saws in the mill. Rick buys the timber and, now, runs their newest operation – Maeder Brothers Quality Pellets.



“Our parents taught us a good work ethic,” Rick said. “They also taught us that we have to treat everyone fairly and keep a good family operation going. I inherited a good name and want my kids to have the same luxury.”

Rick says Maeder Brothers Sawmill was always ready to try new things. “For years we practiced sustainable forestry by cutting only the mature trees and leaving the younger trees undamaged to continue to grow. Now that being “green” is fashionable, everyone is trying to do that.” Maeder Brothers Sawmill started producing log homes twenty-five years ago and custom built more than 30 annually in its heyday. “Now,” Rick says, “competition and the economy has taken its toll on this business and we build only a fraction of that. But we were always willing to make changes and adapt to the current business environment.”

So why did they get involved in wood pellet production? “The paper industry left Michigan,” is Rick’s quick answer. Maeder Brothers sold its wood chips and some sawdust to pulp mills in various parts of the State. They also sold sawdust to livestock producers to use as bedding. As the pulp mills shut down, the Maeder’s found they were building inventories of chips and sawdust. “We continued to sell some sawdust to livestock producers,



## Maeder Brothers Quality Wood Pellets, Inc (Continued from page 3)

and we still do to those loyal customers. But we had to find some way to move our excess chips and sawdust.” They considered alternatives like playground chips and a co-gen plant, but decided these business ventures were too seasonal and competitive.

When they looked into wood pellets, they learned that there were no other production facilities in the Lower Peninsula at that time. Since Rick was the timber buyer for the saw mill, he used his travels around the State to visit potential outlets and determine if they sold wood pellets, who their suppliers were, what product attributes they needed, and if they would purchase from Maeder Brothers if they started their own plant. They visited other wood pellet plants in other parts of the country. They then put together the numbers for the business and, as a group, made the decision to start a wood pellet business.

“We knew we needed three things to start a wood pellet business,” says Rick. “We needed customers, raw materials, and a pile of money. We knew we had customers from my travels around the state. We knew we had the raw materials from our own sawmill, plus other sawmills in the area since they also lost a home for their chips and sawdust when the pulp mills closed. The pile of money was more difficult. Luckily we were able to leverage our equity in the saw mill to come up with financing for the wood pellet plant.”

They made the decision to start a wood pellet business in November 2005, built the plant and started production in November 2006. Their original concept was to market pellets under their own brand name. “We went through some growing pains,” according to

Rick. “We bought back some pellets that were lower quality until we learned how to operate the mill to product top quality pellets. This was important to maintain our brand reputation with our customers.”

In the first summer of their production, sales essentially stopped and they built inventory. In 2008, orders throughout the summer have exceeded production capacity as the number of stoves have grown and buyers are experiencing shortages of wood pellets. They are running 24/7 and, by the time you read this article, will have doubled their production capacity. The original plant was designed to allow for this expansion. About 20% of the raw material needs for the plant now come from their own saw mill and the rest is purchased from other saw mills.

Paul Gross, Innovation Counselor for the MSU Product Center, worked with the Maeder’s to develop their business plan. “Maeder’s have always been a respected business in our area. They have great management skills and it was a real pleasure to watch them apply this knowledge to the business planning for this new business.” In addition, the Product Center provided assistance to develop a business logo, labeling and bag design, legal review, marketing brochures, and web site development.

Rick’s advice to others who want to start their own business – be prepared to work hard and long hours, know where you are going to sell your products, understand what your customers want, put together a good management team. And, yes, be prepared to work hard and long hours.

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# Nutrition Facts Labels - How do those numbers get there?

By Dianne K. Novak, RS, MS

Today's food market is all about health. Consumers are becoming increasingly sensitive to how and where food is grown, as well as the nutrition it provides for their health and future well-being. In fact, the 2007 International Food and Information Council (IFIC) Food and Health Survey found U. S. consumers overwhelmingly believe food and nutrition plays the greatest role in maintaining or improving health (75%), compared to exercise (66%) or family history (43%). As the awareness of the connection between diet and health increases, consumers will expect nutrition information on the product, especially via the Nutrition Facts label.

Nutrition Facts labels should be generated on foods, in which the recipe has been standardized to meet commercial production. The Nutrition Facts label needs to represent that product which is in the package; hence, you need to ensure the recipe/formula has passed the volume production and sensory tests. The process of generating a Nutrition Facts label should be one of the final steps of getting your product to market, when doing label development...UNLESS..... the product is attempting to fit a particular nutritional parameter (low-fat, high-fiber, low calorie, etc). If this is the goal, many Nutrition Facts labels should be generated upon each recipe/formula adjustment to evaluate if nutrients match the guideline(s).

At the MSU Product Center, Specialized Services, we offer the service of creating a Nutrition Facts label. The nutrient analysis software program, Genesis R&D is used to generate this label.

To prepare your standardized recipe/formula for nutrient analysis, attention needs to be given to the following: list of specific ingredients stated in weight, yield of recipe, weight of one portion of the yield as prepared and baked, if applicable, container size and description of preparation directions.

Once this information is placed on the input form for Nutrition Facts label, a computerized nutrient analysis can be generated for placement into the Nutrition Facts label. In some cases, the listing of specific ingredients results in the database not having the exact match. If this does occur, it will then be important to request a nutrient analysis of that ingredient from the manufacturer for importing into the recipe/formula. Expert review by Nutrition and Food professionals complete the review for accuracy and completeness, both before and after calculation to ensure correct numbers are on the label.

Sample label for  
Macaroni & Cheese

Nutrition Facts	
Serving Size 1 cup (228g)	
Servings Per Container 2	
Amount Per Serving	
Calories 250	Calories from Fat 110
% Daily Value*	
Total Fat 12g	18%
Saturated Fat 3g	15%
Trans Fat 3g	
Cholesterol 30mg	10%
Sodium 470mg	20%
Total Carbohydrate 31g	10%
Dietary Fiber 0g	0%
Sugars 5g	
Protein 5g	
Vitamin A	4%
Vitamin C	2%
Calcium	20%
Iron	4%

\* Percent Daily Values are based on a 2,000 calorie diet. Your Daily Values may be higher or lower depending on your calorie needs.

	Calories:	2,000	2,500
Total Fat	Less than	65g	80g
Sat Fat	Less than	20g	25g
Cholesterol	Less than	300mg	300mg
Sodium	Less than	2,400mg	2,400mg
Total Carbohydrate		300g	375g
Dietary Fiber		25g	30g

## Nurition Facts Labels (Continued from page 5)

The Nutrition Facts label will be displayed in the Standard Format [21 CFR-101.9(d) (12)] and provided electronically for product label placement. Some products due to nutrition or package size maybe allowed other Nutrition Fact label formats, either Simplified or Shortened and/or other display options. Refer to the FDA – Code of Federal Regulations (CFR) 21, Section 101.9 for further details.

Creating a Nutrition Facts label is just one of the many services provided by Specialized Services at the MSU Product Center, in assisting clients with new product launches. This service does require a fee and begins at \$100 per product analysis. Contact your Innovation Counselor if your new product needs a Nutrition Facts label- to ensure your product gets the sale!

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# Emerging Market Trends: Fruit Products

By Getachew Adatekassa

The demand for fruit products is shaped by several market forces. Health/wellness, convenience, demographic structure, ethnicity, indulgence and value are key market drivers that influence consumption patterns and demand for fruit products. As consumers become more sophisticated in their understanding of various fruit products and their nutritional and health benefits, we have now started seeing some emerging sub-trends and repositioning of products (Mintel GNPD: <http://www.mintel.com/gnpd.htm>).

One recent trend is the introduction of fruit juice products fortified with Omega-3. There are more launches fortified with omega-3 focusing on health benefits. The superfruit category, which includes fruits that are rich in nutrients particularly high level of antioxidants, is now expanding. Besides traditional superfruits (e.g., blueberries, cranberries, cherries, and pomegranates), there are some exotic superfruits (e.g., açai and goji berries) entering the marketplace. Some markets have now started seeing trends what could be termed “health by color” focusing on products with nutrient content of foods of specific colors. Product introductions in this market segment are currently limited to the beverage sector. Also, some specialists and manufacturers that launch fortified beverages are now adding products that could provide skin health and



beauty benefits. These products claim to be anti-aging providing skin benefits enhancing beauty.

Convenience and packaging innovations in recent years have also allowed fruits to better compete with other food categories mainly in the snacking segment. There are now a variety of innovative packaging that focus on individual servings. Also, labels and packaging methods that focus on maintaining freshness and ripeness of fruits are growing. One interesting recent development in this area is the introduction and growth of ethical/environmental/eco-friendly packaging.

Currently, products in the emerging market segments come generally from smaller players, although some involvements are being seen from larger companies. These are still niche products and their current market is relatively small. There is, however, an expectation to see more introductions in the years to come, and it will be interesting to see how these concepts are being actively promoted to reposition fruit products in the marketplace. Overall, it appears that product and packaging innovations that focus on health, beauty and convenience continue to provide additional market opportunities for fruit producers and manufacturers

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# Buying Locally- Getting the Retail Buyer's Attention

By Matt Birbeck

Most retail buyers have experience buying from a range of sources, including distributors, wholesale vendors and directly from farmers or farmers' cooperatives. Once you have decided to enter the retail market, there are several things to consider when trying to use being local to your advantage as well as problems that retail buyers have had when buying directly from farmers that will need to be overcome.

## What do buyers like about local products?

**Better quality.** Some buyers prefer the quality of locally produced goods. For perishable goods especially, many buyers recognize that they can get product from you that is fresher than any distributor can deliver.

**More accountability.** Some buyers may feel that they get better service from a producer than from a distributor or wholesale company.

**Knowledgeable salespeople.** Who is more knowledgeable about a product than the person who produces it? Seek out buyers who value this knowledge.

**Direct link between producers and customers.** Some retail stores (such as natural foods cooperatives—as well as others) see their niche as connecting the producer with their customers. Help these buyers find ways to feature you and your products through demos, signs, flyers, photographs, etc.



## Why would buyers not want locally produced goods?

**Inconsistent product.** Most buyers cannot work with products that are inconsistent in quality, form or flavor. One buyer described a shipment of apples that were not graded and melons of assorted sizes. Another had problems with meat shipments of varying quality.

**Costs more time and money.** Many buyers point out that it takes more time to buy directly from producers. It is cheaper and easier for them to order multiple products from one distributor than to work with many individual growers.

**Insufficient volume.** Meeting a buyer's need for a particular volume of product may be challenging. If it is hard for you to supply the volume that a buyer needs, make sure that working with you is worth it to the buyer for other reasons—the varieties that you offer or the 'home-grown' label, for instance.



## Buying Locally - (Continued from page 8)

### **Risk of working with someone new.**

For many buyers, their purchasing choices boil down to what they are accustomed to and comfortable with. If they have worked their entire careers with distributors, they are likely to feel insecure about initiating a new buying relationship—especially with someone who is new to the retail world. You may be able to convince them that you are worth a risk, or you may need to take your product elsewhere.

### **Less reliable supply and delivery.**

Some buyers feel that a producer cannot offer the same services as a distributor. If they run out of product, buyers can call their distributors and get extra shipments. This may not be possible with individual producers. Some buyers have had experiences where a producer agreed to deliver and didn't arrive when anticipated.

**Restricted to company warehouse.** Some retail buyers have very little or nothing to say about what produce they can buy. Before investing too much time in a particular chain as a potential market, be sure that the buyers have the ability to make direct purchases from someone like you. Some chains have to buy from the chain warehouse or are required to buy a specific percentage of their goods from “in-house” sources.

**No time for you.** A buyer may see the potential in you and your products, but may not have time to get you up to speed on their standards and needs. Know that this is not a reflection on you or your products. Leave your

card and take your products elsewhere. You can check in with that buyer down the road. You may be able to find a time or circumstance where they can use what you have to offer.

### **Putting it all together: Approaching retail buyers**

In summary, once you have decided to approach the retail buyer, you will need to do so with several questions in mind:

- ☐ Is there a good match between product and store?
- ☐ Will the price be right?
- ☐ Will this business negotiation solve a problem or provide an opportunity for me?
- ☐ Will this person be a responsible partner in a business negotiation?

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## Director's Introduction continued from page 1

Lansing Center on Thursday November 13th with the theme 'Making it in Michigan'.

The Product Center staff has put together a full day of programs, activities, educational classes, and a new component for this year, The Market Place Trade Show.

After personally welcoming you and outlining the Product Centers activities and agenda for the day, we get our creative juices flowing with our key note speaker Chef Eric Villagas, from the award winning PBS TV show 'Fork in the Road'. Chef Villagas is a well known celebrity in Michigan, discussing local foods, local markets and running a restaurant business. As a friend of the Product Center, Chef Villagas will have us fired up and inspired. Next is one of my favorite parts of the day, the annual Product Center awards. These awards showcase client's achievements and drive for entrepreneurial freedom. Clients are nominated by the counselor network and staff, awards includes: Best Innovative Idea, Best Barrier Buster and Most Successful Transition. These awards truly show the diversity of clients and the trials and tribulations of entrepreneurship.

A conference would not be complete without educational classes. Based on real topics and questions from our clients, the Product Center team has created an excellent variety of classes covering the whole spectrum from business development, Food Regulations, Marketing and Consumer Trends. After being inspired and educated, the afternoon is left to Networking and the Market Place Trade show. The Trade show will allow you to discuss your idea with Co-packers, Distributors, Regulatory advisors, financial organizations, Food Companies, Packaging suppliers and legal professionals. In addition existing clients will be selling a diverse range of Michigan products to all participants and the downtown Lansing community.

As a friend and client of the Product Center, I welcome you to come enjoy a wonderful day of inspiration, learning and networking. This day is also a great way to show your support for the Center and staff that have helped you in your business endeavors.

I look forward to seeing you all on November 13th! Information and Registration can be found at [www.makingitinmichigan.msu.edu](http://www.makingitinmichigan.msu.edu) [Return to top](#)

## Schedule of Upcoming Events

- November 13, 2008 Making it in Michigan Conference and Marketplace  
[www.makingitinmichigan.msu.edu](http://www.makingitinmichigan.msu.edu)
- December 9-11, 2008 Great Lakes Fruit, Vegetable and Farm Market Expo  
[www.glexpo.com](http://www.glexpo.com)

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