

Chapter One: Getting Started

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Overview

Starting or expanding a food and agriculture-based business takes some planning and preparation, and may seem overwhelming at first. Fortunately, there are many resources available to help you get started, including a lot of people who have been where you are today.

Researching and reading about starting a business, attending industry workshops and training sessions, or becoming active in industry organizations are easy ways to develop relationships and share experiences with others in the business. You may also want to consider mentoring with a farm or business in your area. Many food and agriculture businesses in Michigan offer internship experiences or welcome volunteers to lend an extra pair of hands while getting some hands-on experience.

In addition to reading, networking and doing research, there are some important steps you need to take when starting or expanding your food and agriculture business in Michigan. This includes selecting a market, developing a timeline, and creating a business plan and budget. You also need to consider what values are important to you, what current assets and skill sets are available for your business, what the vision and goals for your business are, and what direction you need to take to reach your goals.

Many business planning resources offer step-by-step guides to walk you through the process, and are offered at the end of this chapter.



Selecting a Market That Fits You

The first step to marketing your products is to determine which market best suits you, your products and your business. Think about your personal preferences and strengths for conducting business.

If you decide to sell products directly to consumers, you are responsible for finding people to buy your product and negotiating the sale. You are responsible for the preparation, packaging, price setting, and possibly the delivery of your products. You must learn a whole new set of skills and be proficient at them for your business to succeed.

It also takes a specific set of skills to sell your products to a retailer, wholesaler or processor. While you do not deal directly with the end consumer, you have to meet your buyer's requirements for packaging, product quality and consistency, verification of food safety and production standards, storage, shipping and liability coverage.

Deciding on a marketing strategy that works for you depends on your personal preferences and business strengths, the amount and type of product you produce, the financial risk you are willing to accept and the amount of customer contact you are willing to handle. Depending on the market type you choose and the products you will sell, there are different licensing and regulatory requirements, and food preparation needs.

The Local Foods Advantage – Why Sell “Local”?

The, “Eat Fresh and Grow Jobs” study showed that Michigan’s economy could improve by creating linkages between farmers and consumers throughout the state. The study, a collaborative effort of Michigan State University Center for Regional Food Systems, the Michigan Land Use Institute’s Entrepreneurial Agriculture Project, and the W.E. Upjohn Institute for Employment Research based in Kalamazoo, showed that robust efforts to increase sales of fresh, local foods in Michigan could significantly boost employment and personal income across the state.

Researchers examined six different scenarios in which existing farmers double or triple the amount of fruits and vegetables they sell into fresh produce markets, such as wholesale grocery sales and farmers markets. Using an economic modeling tool customized to Michigan, the study determined the shift could increase net farm income in Michigan by \$164 million, or nearly 16 percent. As farm families spend this new income, the study showed they could generate up to 1,889 new jobs across the state and \$187 million in new personal income from those jobs.

Michigan has a big advantage in the local foods market. Its farms grow one of the widest selections of fruits and vegetables in the country and also grow three times more tree fruit than other states in the region and twice as many berries.

The spread of the local food movement represents changes in demand, and a growing consumer interest in eating locally for better nutrition and taste, production sustainability and farmland, and family farm preservation. Price is a factor; businesses are learning how to bring down their costs through greater volume, smarter distribution techniques, better use of technology, and collaboration with other local food suppliers. To read the results of the study, visit www.mlui.org/userfiles/filemanager/274/.

Market Options

There are many options for marketing your food and agriculture products. You can start with one approach and stick with it, or use a combination of approaches. It is more common to use a combination of approaches and gradually move to the one that works best for the goals and operation. As you commit to markets and marketing options, be aware of the time and effort it will take to meet those commitments. Don’t spread yourself too thin or over-commit. You can always increase your production or hire help as your business grows and you gain experience in the marketplace.

Direct Marketing

Direct marketing is selling your products directly to consumers for their use. Products are not sold for resale. Direct marketing allows for a direct connection at the point of sale for the producer and consumer. Farmers markets, community supported agriculture farms (CSAs), agricultural tourism, pick-your-own or U-pick farms, on-farm stores or roadside stands, and online or catalog marketing are all forms of direct marketing.

As with any market, direct marketing brings both benefits and challenges. The benefits of direct marketing include the ability to set your own product price and get a better price by eliminating steps in the distribution system, or “cutting out the middleman.” Direct marketing also allows you to directly connect with your customers at the point of sale, and to receive immediate feedback from those customers when you introduce new products, varieties or prices. Direct marketing can pose some challenges as excellent people skills and customer relations are extremely important to your bottom line, and direct marketing can be time consuming when you consider the time needed to harvest, wash, package, transport, set up and sell your products.

Intermediate Marketing

Intermediate marketing is selling your products to specific buyers for resale. Buyers may be restaurants that use your products to create menu items; grocery stores that sell to consumers, wholesalers and distributors who buy from you and then sell to others; processors who purchase your product and further process or package it; or institutions, like schools, hospitals or correctional facilities, that use your products in food service.

Many Michigan restaurants, grocery stores, hospitals and schools are responding to their customers’ demands for locally grown and processed products to support our state’s economy, assure freshness and make a direct connection between food products and the farmer or company that produced them. This means more opportunities than ever for Michigan producers to get their products into intermediate marketing chains.

Benefits of intermediate marketing include brand exposure at multiple locations and the potential to reach more customers. Some institutions like schools may also be able to offer a better marketing opportunity for “seconds” too. Consistent, reliable orders from buyers who can buy at a larger volume can also help you increase the efficiency of your operation.

At the other end of the spectrum, there can be a higher rate of turnover in owners and/or buyers with intermediate markets, so you may have to work a little harder to maintain relationships with the companies. The price received for your product through intermediate markets is usually lower than you would receive through direct marketing.



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Include Food Safety in Your Business Plan

As an owner of a food-related business, it is imperative that, along with a business plan, you include a food safety plan in your business model.

New regulations under the Food Safety Modernization Act place specific requirements on most food businesses, from farm to end consumer, to ensure a safe and wholesome food supply and to minimize the risk of foodborne illness.

The concept of safe food being delivered daily to consumers seems simple enough, right? The truth is there are numerous variables and many players at each link in the chain that can affect the safety of food. New farming practices, bacterial contamination, food additives, preservatives, freshness concerns, poor food handling, and animal diseases

have become a worldwide problem. In an ever-growing industry looking for innovative ways to be economically viable and productive, concern for food safety is at an all-time high.

To minimize risk of foodborne illness, the best defense is a proactive approach by having a food safety plan for your business. Planning can prevent serious health issues, as well as protect your reputation and business. By managing the food safety aspect of your business proactively you will have the proper steps in place when a problem occurs.



The Seasonal Nature of Michigan Agriculture

Food production depends on the growing cycle. The seasonal nature of Michigan agriculture can be a challenge for buyers who need a year-round supply of fresh products, although many products once available for only a short window of time during the traditional growing season are now available for longer periods of time due to improved processing, storage and season-extension techniques.

Michigan's on-farm food production generally begins with maple syrup in February and March and continues through late fall with apple and squash harvest. Food processing is heaviest during the harvest season. Your food production schedule will help you develop a timeline that aligns with your final product availability schedule. From ordering, planting, harvesting, processing and storing, or developing your livestock production schedule, your business will be calendar-based. Your schedule may involve multiple plantings scheduled at intervals so you can offer a steady supply of produce throughout the season. It may also involve establishing weekly deliveries or a timetable for developing a weekly routine of picking, washing, packing, processing and selling; or deciding on the species of livestock, the facilities and production aspects of bringing your products to market.



Creating a Business Plan and Budget

Marketing produce, meats or value-added farm products is a business; and, like any other start-up business, it takes an investment of both time and money to ensure success. As consumer demands change and agricultural entrepreneurs choose less conventional farming models and techniques, business planning has become even more important than ever.

Business planning is an important part of owning and managing a farm or food and agriculture-related business. Your land base, scale of production, managerial abilities and people skills all help determine where you fit in the marketplace. Business planning can help you evaluate production alternatives, identify new market opportunities and communicate your ideas to lenders, business partners and family members. Developing a business plan will also help you define your business, provide you with direction to make sound decisions, help you set goals and provide a means to measure your progress.

A business plan increases your chance of success. Your plan doesn't need to be extensive, but it must answer several questions to enable you to focus your efforts. Developing and writing your plan forces you to examine the resources you have available and the ones you need. You can also evaluate the capital investment and additional materials required for your business.

Having a sound business plan with cost and income projections will help you secure a loan, if you need to raise start-up funds. It also points you in the right direction for future growth opportunities.

A business plan is as important for an established business as it is for start-ups. A business plan should have a realistic view of your expectations and long-term objectives. The process of developing a plan forces you to clearly understand what you want to achieve and how and when you can do it. This process includes evaluating, discussing, researching and analyzing aspects of your proposed business and may ultimately determine the feasibility of your ideas.

With effort on your part, your business plan will reflect your personal, community, economic and environmental values and help you take that first step toward the creation of a successful and sustainable business.

Resources for Getting Started

Statewide Resources

Michigan State University Product Center for Agriculture and Natural Resources

Assistance in developing and commercializing high value, consumer-responsive products and businesses in the agriculture and natural resource sectors.

517-432-8750; Fax: 517-432-8756; product@msu.edu;
www.productcenter.msu.edu

Michigan Food and Farming Systems

517-432-0712; Fax: 517-353-7961;
miffs@msu.edu; www.miffs.org

Michigan Small Business and Technology Development Center

Assistance for aspiring and growing businesses, including a *Starting a Business in Michigan* guide, no-cost counseling, and low-cost training and market research. www.misbtcd.org

Michigan Economic Development Corporation

888-522-0103;
www.michiganadvantage.org



Michigan Department of Agriculture & Rural Development, Office of Agriculture Development

Market development assistance, including connections to resources and regulatory requirements.

517-241-2178; mda-info@michigan.gov

Huntington Bank Lending Program/Economic Gardening

www.huntington.com/mipartnership

Regional Resources

Get Farming! Program, Michigan Land Use Institute

Resources for new and aspiring farmers in Northwest Michigan, including The Business and Science of Farming classes that cover farm issues like business planning, legal concerns, soils, pests and more. 231-941-6584; www.localdifference.org/getfarming

Food System Economic Partnership (FSEP)

Market information and tools, business development support, educational opportunities, and access to a network of experts and resource providers. FSEP specifically serves Jackson, Lenawee, Monroe, Washtenaw and Wayne counties.

734-222-6859; www.fsepmichigan.org

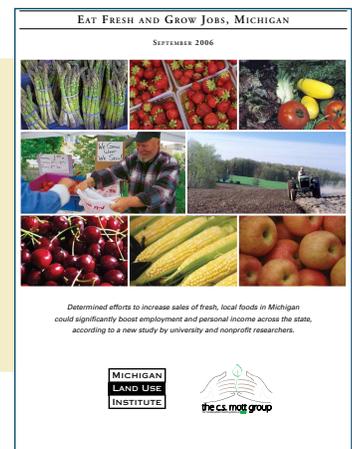
Northern Lakes Economic Alliance

231-582-6482; www.huntington.com/mipartnership

Eat Fresh, Grow Jobs

Michigan State University Center for Regional Food Systems, Michigan Land Use Institute Entrepreneurial Agriculture Project, and W.E. Upjohn Institute for Employment Research (Cantrell, Conner, Erickcek and Hamm, 2006)

www.mlui.org/userfiles/filemanager/274/



Michigan Commercial Laboratories Providing Food Testing Services

This list is provided by the Michigan Department of Agriculture & Rural Development, Food and Dairy Division. The department does not endorse any private testing laboratory in the state, and this list may not be complete and inclusive.



Alliance Analytical Laboratories, Inc.

HACCP consultant, microbiological, nutritional labeling, chemical. Coopersville, MI; 616-837-7670; Fax: 616-837-7701

Biosan Laboratories, Inc.

E. coli, Listeria, Salmonella, Staph, liquid water testing. Only industrial testing, not for individuals. Warren, MI; 586-755-8970; Fax 586-755-8978; www.biosan.com

Garrett Laboratories

Food microbiology, water, some testing for product tampering/contamination, nutritional labeling. Niles, MI; 800-336-3201; 269-683-3200; Fax: 888-336-3201; www.garrettlabs.com

Great Lakes Scientific, Inc.

Food microbiology, water, pesticides, nutritional labeling. Stevensville, MI; 269-429-1000

S & J Laboratories

USDA certified, food microbiology, some pharmaceutical, proteins, salt, fat. Prefers not to test for individuals. Portage, MI; 269-324-7383; Fax: 269-324-7384

Summit Laboratory

Full service microbiology, food pathogens, environmental and food, mold assessment, surface water and drinking water. Grand Rapids, MI; 616-245-3818; 800-213-9589; www.summitlaboratory.com

University Laboratories, Inc.

Chemicals, pesticides, metals; no microbiological testing. Novi, MI; 248-489-8000; Fax: 248-471-9107

Out-of-State Commercial Laboratories Providing Food Testing Services

This list is provided by the Michigan Department of Agriculture & Rural Development, Food and Dairy Division. The department does not endorse any private testing laboratory in the state, and this list may not be complete and inclusive.

Alteca Consulting Laboratory

Not an analytical lab. Forensic Food Microscopy – uses analytical techniques to determine the cause of contamination (whether natural causes or if food has been tampered with). Provides legal defense against false claims of product injury. Manhattan, KS; 785-537-9773; Fax: 785-537-1800

Silliker, Inc.

Micro, allergen, chemical, extraneous materials, melamine. Chicago Heights, IL; 708-756-3210; www.silliker-estar.com

Other Resources

Agricultural Business Planning Templates and Resources

www.start2farm.gov/resources/agricultural-business-planning-templates-and-resources

USDA Farm Service Agency

Programs to help stabilize farm income, conserve land and water resources, provide credit to new or disadvantaged farmers and ranchers, and help farm operations recover from the effects of disaster. 517-324-5110; www.fsa.usda.gov

USDA Rural Development

Business and Industry Loan Guarantees for acquisition, start-up, and expansion of rural businesses that create employment.

Business Programs, East Lansing Office, 517-324-5157; www.rurdev.usda.gov/rbs/busp/b&i_gar.htm

Value Added Producer Grants, www.rurdev.usda.gov/bcp_vapg.html

Renewable Energy and Energy Efficiency Program, www.rurdev.usda.gov/energy.html

Other Federal Grant Programs

www.grants.gov

Small Business Administration (SBA)

Free business counseling through the Michigan Small Business and Technology Development Centers, SCORE, Women's Business Centers, and U.S. Export Assistance Centers; government contracting assistance; low-cost training; loan guaranty programs (SBA does not provide grants to individuals to start businesses). Michigan District Office, 313-226-6075; www.sba.gov

Model Business Plan for Season Extension with Hoophouses

Michigan State University Extension, Bulletin E-3112
<http://web2.msue.msu.edu/bulletins/Bulletin/PDF/E3112.pdf>

Michigan State University Student Organic Farm

Nine-month intensive training program in year-round organic farming. www.msuorganicfarm.com/trainingprogram.htm

Agricultural Marketing Resource Center (AgMRC)

Iowa State University, Ames, Iowa. Business advice, strategies and resources to farmers and ranchers, including how to use grants, branding, business communication skills, customer relations, and feasibility studies.
www.agmrc.org/business_development

Beginning Farmers: An Online Resource for Farmers, Researchers, and Policy Makers

Michigan State University, Department of Community, Agriculture, Recreation, and Resource Studies. www.beginningfarmers.org

Building a Sustainable Business, A Guide to Developing a Business Plan for Farms and Rural Businesses

Minnesota Institute for Sustainable Agriculture, St. Paul, MN; and the Sustainable Agriculture Network, Beltsville, MD.
agmarketing.extension.psu.edu/business/pdfs/build_sust_business.pdf



Budget Projection for Vegetable Production

Iowa State University Extension. Enterprise budgeting tool for vegetable growers to help estimate the costs and revenue associated with producing a product.
www.extension.iastate.edu/Publications/pm2017.pdf

Enterprise Budgets

Center for Integrated Agricultural Systems, University of Wisconsin–Madison

Enterprise budgeting tools for dairy sheep, dairy goats, poultry, and specialty foods. www.cias.wisc.edu

Beginning Farming 101 Online Course

Cornell University, College of Agriculture and Life Sciences

Publicly available materials on a stand-alone website coupled with a virtual classroom for registered students only.
www.nebeginningfarmers.org/online-courses/all-courses

“AgPlan” Free Business Planning

University of Minnesota. Designed specifically for farms and agricultural businesses, AgPlan provides guidance in writing business plans. www.agplan.umn.edu

National Sustainable Agriculture Information Service

Sustainable agriculture and organic farming news, events, and funding opportunities, plus in-depth publications on production practices, alternative crop and livestock enterprises, innovative marketing, organic certification, and highlights of local, regional, USDA, and other federal sustainable agriculture activities.
www.attra.ncat.org

