

Michigan's Agriculture Industry

2008

Ag-Innovation Grants



***A Golden Opportunity
for Economic Growth***



STATE OF MICHIGAN
DEPARTMENT OF AGRICULTURE
LANSING

JENNIFER GRAHHOLM
GOVERNOR

DON KOIVISTO
DIRECTOR

From the Director

Michigan is making great strides in several growing economic sectors such as food processing and agri-business, agri-tourism, entrepreneurial innovation, and domestic and international trade. Our state's dynamic agriculture industry is ripe for growth and the Agriculture Innovation Grants kept up the momentum.

The grants from the Agricultural Innovation Fund, also known as the Julian-Stille Value-added Program, are competitive and designed to establish, retain, expand, attract or develop valued-added agricultural processing and related production operations in Michigan.

The Agricultural Innovation Grants were part of an aggressive effort to spur growth in several economic sectors and was a key component of the 21st Century Jobs Fund. The 21st Century Jobs Fund was a \$2 billion, 10-year initiative proposed by Governor Jennifer M. Granholm, approved by the Michigan Legislature, and administered by the Michigan Economic Development Corporation to accelerate the diversification of Michigan's economy.

The department received a total of 225 grant proposals with requests totaling more than \$36 million. The proposals were evaluated and scored based upon: economic impact on the community; economic impact or enhancement to agricultural product and/or service; amount of project innovation or initiative; clarity of project proposal with specific and measurable outcomes; and management team experience and expertise.

The grants offered innovative financing assistance to processors, producers, agri-businesses, local units of government and legislatively-authorized commodity boards in Michigan. The jobs and investment generated by the funding of these projects in 27 counties yielded benefits for the entire state.

Sincerely,

A handwritten signature in black ink that reads "Don Koivisto".

Don Koivisto, Director



Agricultural Innovation Program

The program, a \$10 million total appropriation with \$5 million earmarked for Fiscal Year 2007 grants, is designed to accelerate the growth of Michigan's \$71.3 billion food and agriculture industry. This grant program established, retained, expanded, attracted, or developed value-added processing and production operations in Michigan through innovative financing assistance to processors, agribusinesses, producers, local units of government, and legislatively-authorized commodity boards in Michigan.

In October of 2006, the Michigan Department of Agriculture (MDA) recommended the funding of 40 proposals which covered 27 Michigan counties.

- To date, 39 out of 40 companies have completed their projects with new private capital investment of \$36,041,848.
- The department paid out \$4,412,321 in grant reimbursements.
- Leveraged state funds to private industry investments at an 8:1 ratio.
- Created a total of 119.5 new jobs.
- Conducted grant writing workshops across the state with 374 attendees.
- Received 225 grant proposals with requested funds totaling more than \$36 million.
- The proposals were evaluated and scored by a Joint Evaluation Committee.

“Michigan agri-food businesses play a substantial role in the state’s economy and, with continued investment and policy support, potential exists for greater economic development.”

Don Koivisto, MDA Director

Starting from the left:
Julie Cowie of Casco Township – Ag Tourism Trail
Rick Moersch of Round Barn Winery – Distillery Expansion
Pat Anderson of Cooperative Elevator – Retail Packing & Label
Don Koivisto – MDA Director
Mary Safie of Safie Specialty Foods – Processing Equipment
Mike DiBernardo – MDA Grant Administrator



Agricultural Innovation Grant Goals/Objectives

The program benefits processors, agri-businesses, producers, legislatively authorized commodity organizations, and local units of government in Michigan by:

- Helping processors, agri-businesses, producers, local units of government and legislatively-authorized commodity boards to establish, retain, expand, attract, or develop value-added processing and production operations in Michigan;
- Assisting new value-added agriculture ventures providing additional economic benefit to producers in Michigan;
- Supporting agricultural economic development providing economic and social benefits to local communities in Michigan.

Grant Categories

Categories available for Agricultural Innovation Fund grants are as follows:

1. **Technical Assistance:** Innovative technology or technical assistance including feasibility studies that will enhance and support the commercialization of value-added products.
Dollar limit per grant up to \$100,000.
2. **Facility Improvements:** Upgrading, enhancements, and acquisitions to buildings; equipment, utility modifications and improvements; transportation improvements; telecommunications infrastructure, or other infrastructure improvements. Requires a current business plan submitted with proposal.
Dollar limit per grant up to \$250,000.
3. **Market Research:** Market research and/or market development project for a product(s) and/or service(s) prepared by an industry consultant.
Dollar limit per grant up to \$50,000.
4. **Business Plan:** Detailed business plan development that incorporates a specific marketing strategy and specifically outlines the working capital and financial needs, management structure, construction, production, marketing, and distribution needs.
Dollar limit per grant up to \$25,000.
5. **New Acquisition of a Facility and/or Land:** Facility purchase and/or construction, including property, and/or land acquisition and assembly, demolition, and site development. Requires a current business plan and a feasibility study submitted with proposal.
Dollar limit per grant up to \$250,000.



“I strongly recommend the continuation of this program, as I believe the long term return on the investment will serve the citizens of the State of Michigan very well.”

- - **Harley Sietsema,**
Owner
Sietsema Farms
Feeds, LLC

Agricultural Innovation Success Stories

Mite Zapper, LLC

Detroit - Total new capital investment of \$154,662

Developed and tested a prototype device to control Varroa mite infestations in honeybee hives. The Mite Zapper device combines mite biology with simple physics to treat the Varroa mites that is safe, quick, easy, and no chemicals are used in the process.



Cerise Nutraceuticals, LLC

Traverse City - Total new capital investment of \$108,525

Completed new scientific research and development of Michigan red tart cherry product ingredients - kalaya oil and antocyanins as nutraceuticals. The results indicate that using Cerise Nutraceuticals ingredients has a considerable potential for reducing major effect of Parkinson's, Alzheimer's, and Huntington's diseases.

Entente Spirits, LLC

Baroda - Total new capital investment of \$114,974

Established a project to purchase and install a rectification column to increase processing capacity of fruit flavored vodkas and brandy in Southwest Michigan. Round Barn has vinified and distilled 150 tons of grapes and apples in their products over the past two years, with continued growth anticipated. Sales growth of Divine Brandy has exceeded any other of their products introduced by the company in the past 15 years.

Walters Gardens, Inc.

Zeeland - Total new capital investment is \$108,550

Developed an alternative energy heat source using wood pellets for part of their greenhouses. The research shows the installed heat boiler burns the same amount of fuel while creating more BTUs and reducing emissions.

Chestnut Growers, Inc.

Saginaw - Total new capital investment is \$166,070

Conducted a feasibility study to determine the viability of value-added products of dry chestnut slices. Dry chestnut products offer the benefit of long shelf life, ease of distribution, and present the opportunity for much wider use in new applications throughout the year.



Sawyer Garden Center, Inc.

Sawyer - Total new capital investment is \$147,339

Promoted Michigan agricultural products at the point of sale by installing a point of sale system, which determines where the customers came from and what they bought. They had double-digit sales growth in 2006, 2007, and 2008. They intended to do monthly on site promotions for their customers; and were so successful, they hired a chef to do demos every weekend.

Overby Farm, LLC

Lake Leelanau - Total new capital investment is \$96,960

Conducted a feasibility study to determine the viability of producing a purified anthocyanin material from Michigan grown cherries and berries. The goal of the pilot processing and standardized testing protocol allows for functional ingredients that are patent protected, leads to protecting premium values, and finally opens new markets for Michigan grown fruits, especially tart cherries and blueberries.



Coveyou Farms, LLC

Petoskey - Total new capital investment is \$38,630

Built two high tunnels using new highly translucent ETFE thermoplastic coverings for season extension for tomatoes and cucumbers. The tomatoes matured two-weeks earlier and produced fruit well into November in comparison to field grown tomatoes.

Tandem Ciders

Suttons Bay - Total new capital investment is \$243,425

Performed a market feasibility study using Tandem's business plan as a model for the first hard cidery in Northwest Michigan. The company shared the results of this feasibility study with growers, consultants, and future entrepreneurs at the Great Lakes Fruit and Vegetable Expo in Grand Rapids.

Alternative Green Energy, LLC

Gaylord - Total new capital investment is \$13,750

Performed a market feasibility study of opening a retail outlet for value-added agricultural products, alternative energy products and services called "The Energy Store." The feasibility study measured the viability of this proposed venture in terms of size, market location, supply, and demand. If this project is successfully completed, it could add capital investment of \$1,100,000 and add six new jobs.

Michigan Sugar Company

Bay City - Total new capital investment is \$41,046

Performed a feasibility study of converting the now vacant Carrollton sugar beet plant into a biodiesel plant. Michigan Sugar plans to sell this site or to partner with another company in developing a biodiesel plant.

Terrace Hill Vineyards

Watervliet - Total capital investment is \$33,974

Reviewed and field tested mechanical pruning technology for wine grape production as a component of the production system for the Michigan wine grape industry. A time study comparison of manual pruning and mechanical pruning indicated the mechanical pruning reduced the labor requirement for dormant pruning of wine grapes 4.8 to 14.7 hours per acre or 12 to 30 percent savings.

Anderson & Girls Orchards, LLC

Stanton - Total new capital investment is \$69,945

Upgraded apple cider production operation to meet the Food and Drug Administration requirements for apple cider to be pasteurized before it can be sold. The company has completed the installation of the UV equipment and will produce over 30,000 gallons of cider for sale. The company has reported that their production and sales have more than tripled.

Seafood Systems, Inc.

Okemos - Total new capital investment is \$256,672

Developed an inland, under-roof production for shrimp with automated feeding system, aeration in the production tanks, and improved water filtration in the production tank system. Seafood Systems, Inc. is now positioned very well to move ahead with a commercial project in Michigan for production of marine shrimp.



Michigan Turkey Producers Co-op, Inc.

Wyoming - Total new capital investment is \$1,127,399

Purchased and installed equipment to expand value added production of cooked turkey. The increased production capacity has created increased sales to food service providers, retailers, and wholesalers.

Graceland Fruit, Inc.

Frankfort - Total new capital investment is \$1,221,261

Designed and installed a proprietary juice extraction system for the purpose of launching a new fruit juice concentrate product line. This new process allows the company to create two products: infused dried products and juice concentrates. The fruit being used are red tart cherries, cultivated blueberries, wild blueberries, and cranberries.

Mid-Michigan Specialty Crops, LLC

Ithaca - Total new capital investment is \$332,588

Installed new soybean color sorting equipment and other processing related equipment, which increases output capacity, provides higher quality control for domestic and export markets, and provides improved services and marketing options for local producers.

Chateau Chantal

Traverse City - Total new capital investment is \$53,706

Implemented mechanical pruning of dormant wine grape vineyards in Michigan. The equipment showed an overall labor reduction of 62 hours/acre. By measurably reducing labor to prune these vineyards, they have improved the economics of wine grape growing in Michigan.

Safie Specialty Foods Company

Chesterfield - Total new capital investment is \$186,243

Purchased equipment to increase the manufacturing of value-added foods including seven pickled vegetable products. All their products are Michigan and USA grown; hand packed in traditional mason style jars using only whole and natural spices with no artificial flavorings. In fact, projections are that sales for the company will increase by 53 percent over the 2007 projections.

"I would not have had the opportunity to mechanize my entire operation, hire more employees, produce five times the amount of produce at the plant, ship internationally or increase my margins without the support of the Julian Stille Grant through the Michigan Department of Agriculture. I can only encourage everyone involved in agriculture to take a look at the value of the grant."

*-- Mary Safie, Owner
Safie Specialty Foods Company*

Michigan Sugar Company

Bay City - Total new capital investment is \$3,074,300

Purchased and installed a ventilation system to prevent heat buildup, spoilage and commodity loss. As a result of the project, sugar beet quality improved by capturing an average of 28.5 pounds of sugar per ton of sugar beets that would have been lost to respiration, degradation, and spoilage. The project generated an additional \$2.27 million dollars in direct revenue in the 2007/2008 and contributed \$5.68 million in economic activity for Michigan's Thumb and Saginaw Bay area.

"The jobs and investment generated by the funding of these projects in 27 counties yielded benefits for the entire state."

*-- Don Koivisto
MDA Director*



Michigan Meat Processing, Inc.

Escanaba - Total capital investment is \$171,684

Purchased three new pieces of equipment enabling them to produce meat and sausage products that are consistent in size and weight, while vacuum packing the products. The new equipment has enabled them to develop several new products. As a result of this program, they are now currently wholesaling their meat and sausage products to two retail establishments and several restaurants.

Cooperative Elevator Company

Pigeon - Total new capital Investment is \$567,139

Designed to add a specialty packaging line to process smaller packages of premium quality black and navy beans to accommodate the Central American retail market. Cooperative Elevator Company has received additional requests for these retail packages from domestic retailers as well.



Oceana Foods, Inc.

Traverse City - Total new capital Investment is \$1,332,271

Updated their wastewater treatment system and generated useable energy by installation of an anaerobic digester and waste to energy plant, reducing pollution and converting waste to methane gas. This new system will allow Oceana Foods to remain competitive and to continue to be a major employer in West Central Michigan and a high volume purchaser/processor of Michigan agricultural products.

Michigan Blueberry Growers Association

Grand Junction - Total new capital investment is \$78,889

Provided temperature control equipment in MBG greenhouse used for blueberry variety development. Implemented improvements to their greenhouse(s), which consisted of four parts, all of which have substantially enhanced their potential for successful variety development and made their breeding environment more cost efficient, environmentally friendly, and sanitary.

Geerlings Hillside Farms, LLC (Overisel Facility)

Overisel - Total new capital investment is \$1,074,347

Ceated Michigan's first centralized, farmer owned anaerobic digester to produce renewable energy from hog manure. The project expanded an existing agricultural site, resulting in an anticipated increased asset value of \$1.1 million.

Heartland Ingredients, LLC

Hillman - Total capital investment is \$342,288

Facilitated the move of edible bean flour processing to Michigan from other states by purchasing equipment for the manufacture of gluten-free products. The company purchased equipment that has increased their blending, mixing, and packaging efficiency and capacity.

Michigan Potato Industry Commission

DeWitt - Total new capital investment is \$282,252

Constructed a potato storage and research facility to prevent spoilage problems during storage. The project conducted research-based recommendations for reducing pathogens, which cause losses in commercial storages, and for eliminating sprouting in storage environments through alternatives to chemical controls.

“MDA’s Ag Innovation Grant Program leveraged state funds to private industry investments at an 8:1 ratio and helped create new jobs in Michigan.”

*- - Mike DiBernardo
Administrator
Ag-Innovation
Grant Program*

Fremont Cooperative Produce Company

Fremont - Total capital investment is \$56,359

The Cooperative and its partners identified an opportunity to research the interest in the fresh market for fresh produce and to pilot test moving more fresh produce through food service channels with commercial partners. This study has identified a wide range of opportunity and has brought together the participants in a pilot test that will begin to move a selection of local fresh fruits, vegetables, and dairy products to market beginning this summer.

Nitrate Elimination Company, Inc.

Lake Linden - Total new capital investment is \$62,798

Conducted a market research study to determine the most effective means of reaching out to educate and inform Michigan farmers on the latest nitrate management strategies and tools available to targeted Michigan farmers about nitrate management. There are four different series of test kits: soil test kits, water test kits, plant test kits, and livestock test kits.



Universal Grain & Biomass Heating Systems, Inc.

Farwell - Total new capital investment is \$152,594

Increased the understanding of maximizing the different uses and advantages of corn burning appliances; and gain further insight as to the motivations and decision process of the general public on the utilization of corn burning appliances. The newly developed appliance won the 2007 best new product Vesta Award in the biomass category and Vesta Award runner up for the over-all "Best in Show."

Michigan Apple Committee

DeWitt - Total new capital investment is \$49,006

Examined the feasibility of growing apples organically in Michigan and in the Eastern U.S. for the processed and fresh market. Fresh fruit and vegetables, especially apples, are an important component of the organic food business.

di Bufala Farms, LLC

Fremont - Total new capital investment is \$5,547,103

Performed a market feasibility study of the competitive advantage of products made from water buffalo milk. Two strategic products identified were mozzarella cheese and yogurt. These products produced with water buffalo milk have a competitive advantage.

Casco Township

South Haven - Total new capital investment is \$59,443

Developed and executed a strategic and comprehensive marketing program connecting Lake Michigan lakeshore tourists to the small farms located in the interior of Casco and Ganges townships. Joining resources, approximately 12 farmers with varied retail operations, now market themselves as agriculture destinations under the name "Lakeshore Harvest Country."

Zeeland Food Services, Inc.

Zeeland - Total new capital Investment is \$29,234

Developed a marketing plan and co-branding campaign to enhance its soybean meal export market for the Pacific Rim.

"The \$50,000 grant provided seed money that removed financial risk and provided economic incentive for local farmers to market locally grown produce direct to the consumer in a cooperative, non-competing manner."

*- - Julie Cowie
Casco Township*

Lenawee County Board of Commissioners

Adrian - Total new capital investment is \$25,158

Examined the demand for a kitchen incubator program for new product development in Lenawee County. The proposed kitchen incubator will provide services to entrepreneurs and food businesses in Lenawee and six neighboring counties of Hillsdale, Jackson, Monroe, and Washtenaw in Michigan, and Fulton and Lucas counties in Ohio.

Grand Traverse County

Traverse City - Total new capital investment is \$28,000

Created a business plan to explore the feasibility of a shared kitchen incubator facility. This incubator would serve as a center point for education, information, shared equipment purchase and use, and to foster the branding and growth of fresh food in the Grand Traverse area.

Paradigm Viticulture Services, LLC

Lawton - Total new capital investment is \$123,757

Developed and launched a vineyard consulting and grape processing company to assist newcomers in Southwest Michigan wine production. The viticulture management concept will be very important in attracting new investment in wine grape vineyards here in Michigan.

Fresh Solutions Farms, LLC

White Pigeon - Total new capital investment is \$15,896,506

Constructed a state of the art washing, storage, packing, and distribution facility in Southwest Michigan to serve Michigan and the Midwest in marketing to large urban centers with new product development. Fresh Solution Farms, LLC is a marketer, distributor, and grower of high-quality fresh, processed, and value-added potatoes and onions for the retail grocery and foodservice industries.



Sietsema Farm and Feeds, LLC

Howard City - Total new capital Investment is \$2,600,000

Built a biomass facility to generate renewable energy combining heat and CHP power system proving the equivalent energy of 8,463 barrels of oil per year. The project, which is estimated to cost about \$3.5 million dollars, will boost Michigan's economy by involving five other Michigan companies for the construction of a facility to convert turkey litter to steam and electric energy for feed production at the Sietsema Farms Feeds mill.



"Sietsema Farms Feeds, LLC is very appreciative of the Grant that it received through the Agricultural Innovation Program.

We are now moving forward with the construction of the \$3.5M project.

Without these funds, we were not prepared to venture into this entirely new and little understood alternative energy arena. As it now appears, this will be a very successful venture, with many future applications for not only agriculture, but for numerous other industries as well. In addition, this project will add long term sustainability to our poultry production operations by offering many environmental advantages as well as taking a byproduct and turning it into energy and still resulting in a valuable end product. I strongly recommend the continuation of this program, as I believe the long term return on the investment will serve the citizens of the State of Michigan very well."

-- - Harley Sietsema, Owner

For more information contact:

Mike DiBernardo

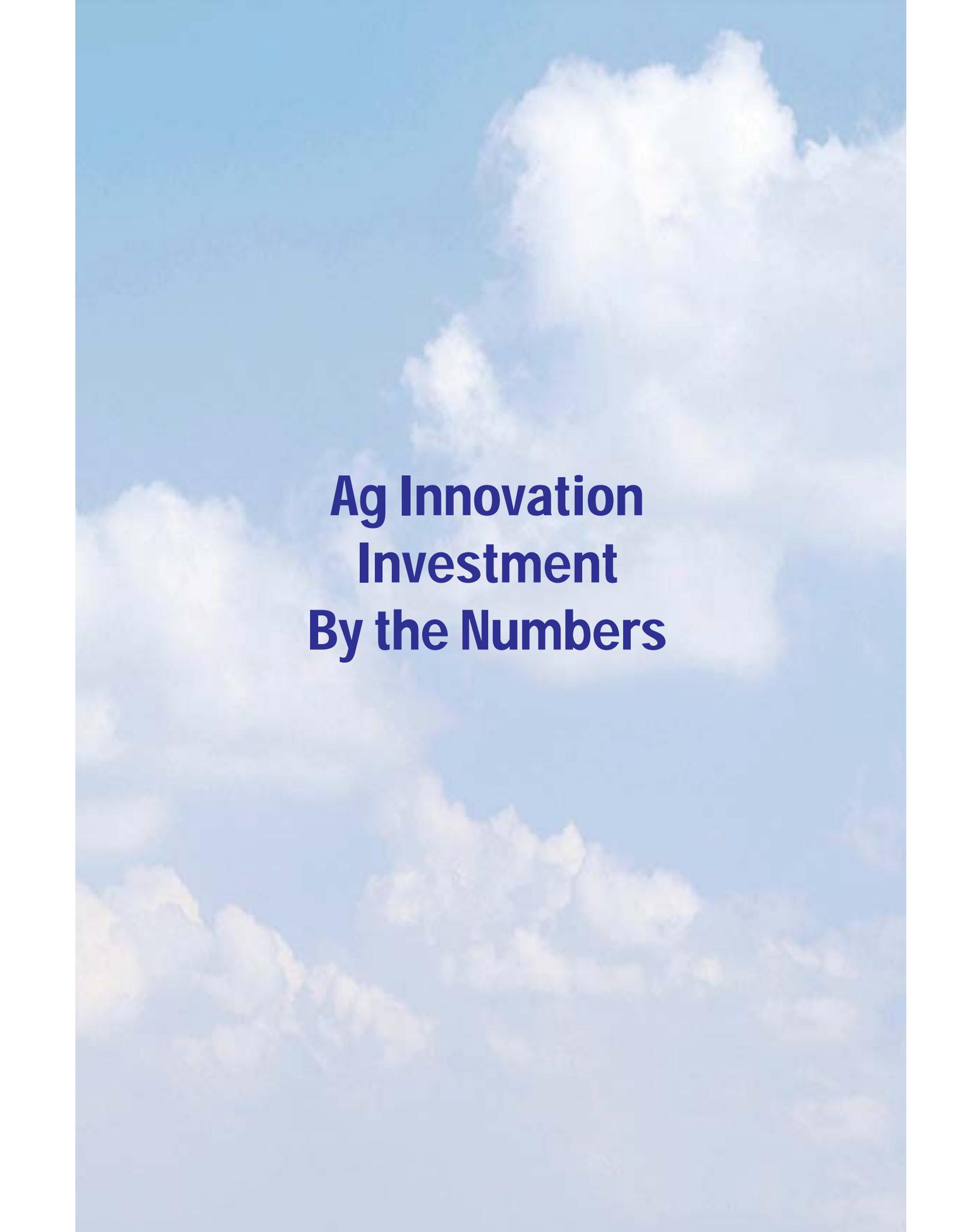
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This document was designed, printed, and produced in-house at MDA.

The background of the slide is a photograph of a bright blue sky filled with large, white, fluffy cumulus clouds. The clouds are scattered across the frame, with a particularly large one in the upper right quadrant. The overall tone is bright and airy.

Ag Innovation Investment By the Numbers

Ag Innovation Investment By the Numbers

Company Total new capital Investment ... Grant award

Company	Total new capital Investment	Grant award
Mite Zapper, LLC	\$154,662	\$90,000
Cerise Nutraceuticals, LLC	\$108,525	\$90,000
Entente Spirits, LLC	\$114,974	\$81,021
Walters Gardens, Inc.	\$108,550	\$87,750
Chestnut Growers, Inc.	\$166,070	\$100,000
Sawyer Garden Center, Inc.	\$147,339	\$60,000
Overby Farm, LLC	\$96,960	\$84,000
Coveyou Farms, LLC	\$38,630	\$21,557
Tandem Ciders	\$243,425	\$24,500
Alternative Green Energy, LLC	\$13,750	\$12,375
Michigan Sugar Company	\$41,046	\$36,941
Terrace Hill Vineyards	\$33,974	\$30,330
Anderson & Girls Orchards, LLC	\$69,945	\$60,000
Seafood Systems Inc.	\$256,672	\$200,000
Michigan Turkey Producers Co-op, Inc.	\$1,127,399	\$250,000
Graceland Fruit, Inc.	\$1,221,261	\$225,000
Mid-Michigan Specialty Crops, LLC	\$332,588	\$250,000
Chateau Chantal	\$53,706	\$29,117
Safie Specialty Foods Co.	\$186,243	\$153,125
Michigan Sugar Company	\$3,074,300	\$250,000
Michigan Meat Processing, Inc.	\$171,684	\$149,085
Cooperative Elevator Company	\$567,139	\$250,000
Oceana Foods, Inc.	\$1,332,271	\$250,000
Michigan Blueberry Grower's Association	\$78,889	\$69,800
Geerlings Hillside Farms, LLC	\$1,074,347	\$250,000
Heartland Ingredients, LLC	\$342,288	\$225,000
Michigan Potato Industry Commission	\$282,252	\$100,000
Fremont Cooperative Produce Co.	\$56,359	\$50,000
Nitrate Elimination Co., Inc.	\$62,798	\$50,000
Universal Grain & Biomass Heating Systems, Inc.	\$152,594	\$50,000
Michigan Apple Committee	\$49,006	\$44,105
di Bufala Farms, LLC	\$5,547,103	\$50,000
Casco Township	\$59,443	\$50,000
Zeeland Food Services, Inc.	\$29,234	\$26,310
Lenawee County Board of Commissioners	\$25,158	\$22,642
Grand Traverse County	\$28,000	\$25,000
Paradigm Viticultural Services, LLC	\$123,757	\$99,663
Fresh Solutions Farms, LLC	\$15,896,506	\$315,000
Sietsema Farm and Feeds, LLC	\$2,600,000	\$200,000