



STATE OF MICHIGAN  
DEPARTMENT OF AGRICULTURE  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

DON KOIVISTO  
DIRECTOR

**DATE:** March 26, 2009

**TO:** Honorable Cameron Brown, Chair  
Senate Agriculture Appropriations Subcommittee

Honorable John Espinoza, Chair  
House Agriculture Appropriations Subcommittee

**FROM:** Nancy Nyquist, Legislative Liaison

**SUBJECT:** Agriculture Development and Export Market Development Activities Report

---

Section 706 of PA 253 of 2008 requires the Michigan Department of Agriculture (MDA) to provide a report highlighting MDA's agriculture development and export market development activities. In fiscal year 2008, a total of \$1.4 million (including \$ \$229,000 gf/gp) was spent for the efforts of the Agriculture Development Division, excluding grants awarded out. MDA has provided \$4.4 million in grants to 40 Michigan companies through the Agriculture Innovation Grants Programing,for 40 companies, . The grants allowed 40 Michigan companies to retain or expand their agri-food businesses. The program leveraged state funds to private industry investments at an 8:1 ratio.

Attached is a summary of the TheAgriculture Development Division's activities and accomplishments for the prior year. Also attached is the "Michigan Agri-Food Industry, 2008: A Year of Agri-Economic Success" report and the "Michigan's Agriculture Industry, 2008: Ag-Innovation Grants" report for your review.

Please contact me at (517) 241-4381 if you have any questions or would like any additional information.

Attachments

cc: Senate Agriculture Appropriations Subcommittee  
House Agriculture Appropriations Subcommittee  
Jessica Runnels, Senate Fiscal Agency  
William Hamilton, House Fiscal Agency  
Jacques McNeely, State Budget Office  
Shannon Pike, State Budget Office  
Deliah Underwood, State Budget Office  
Robert Craig, Michigan Department of Agriculture

**MICHIGAN DEPARTMENT OF AGRICULTURE  
AGRICULTURE DEVELOPMENT DIVISION  
ACTIVITIES AND ACCOMPLISHMENTS REPORT**

**MISSION STATEMENT:**

**Mission: Mission Statement:** *The Agriculture Development Division delivers expertise and leadership to support economic development in Michigan's food and agriculture industries.*

The Agriculture Development Division (AgD) assists Michigan in growing the state's food and agriculture industry in developing and enhanced expanding domestic and international markets for Michigan's food and agricultural products. AgD serves as a catalyst in expanding developing value-added agriculture initiatives and facilitating economic development on for the state's second largest business sector, including farms, food processing firms, and the agriculture industry. It also encourages bio-economy development, as well as educational efforts to foster energy efficiency and renewable energy development. Partially attributed to the efforts of MDA's Agriculture Development Division, Michigan was able to retain thousands of jobs, create hundreds of new ones. These activities support job retention and creation in the agri-good sector throughout Michigan and contribute to Michigan's economy, and help grow the state's agri-food industry by 12 percent.

Highlighted throughout this report are AgD's activities and accomplishments are highlighted throughout this report and include the following areas for the following programs:

- Agricultural Business Expansions
- Agriculture Innovation Grants (also known as Julian -Stille Program)
- Select Michigan Program
- International Marketing Development Program
- Renewable Fuels and Bio-Products
- Grape and Wine Program
- Commodity Check-off Boards and Commodity Group Coordination

**AGRICULTURE BUSINESS EXPANSIONS**

MDA's Agricultural Development Division provides agriculture business development services and coordinates efforts to help establish, retain, expand, attract, or develop value-added processing and production agriculture businesses in Michigan. Division staff provides agricultural economic analysis and project information to the MDA Director and Michigan Agriculture Commission on proposed agriculture business expansions. Under state law, the Michigan Agriculture Commission may recommend Michigan businesses to the State Administrative Board to be designated as an Agricultural Processing Renaissance Zone (APRZ). For example, an APRZ was utilized to expand the Michigan Milk Producers Association (MMPA) processing plant in Ovid retaining 86 jobs, creating 10 new jobs, and investing \$62 million within the APRZ.

**Cranberry Production and Processing Expansion Opportunity**

On December 11, 2008, the DMDA, Michigan Department of Environmental Quality (DEQ), (MDEQ) and Michigan Cranberry Council (MCC) signed a joint Memorandum of Understanding (MOU) to expand the state's cranberry industry and serve as a model of environmentally sound cranberry production. The ceremonial signing kicked-off a day-long educational conference on the economic potential of Michigan cranberries held as part of the Great Lakes Fruit, Vegetable and Farm Market EXPO at the DeVos Center in Grand Rapids. MDA, DEQ and MCC also sponsored and conducted a Cranberry Session on December 11 at the 2008 Great Lakes Fruit,

Vegetable, and Farm Market Expo. An educational session underscored the dedication that our two agencies and the Michigan Cranberry Council have to further expand the state's \$71 billion food and agriculture industry and further diversify the state's economy."

During the conference, various experts noted that national cranberry production is "significantly lagging" behind demand, as evidenced by sales and production trends of Ocean Spray Cranberries, Inc.™ - the largest handler of cranberries in the United States, which would like 65,000 additional acres in the U.S.A. A Michigan food processor, Graceland Fruit of Frankfort, also stated the need for more Michigan-grown cranberries. Nationally cranberry prices for growers have tripled over the past decade and are now in a very profitable range, which provides a strong economic basis for more production and processing in Michigan.

The new MOU establishes participation in an annual review of Generally Accepted Agricultural and Management Practices (GAAMPs) for Cranberry Production along with a "Site Review Team" looking at potential properties for new cranberry farm development. The GAAMPs provide technical and regulatory guidelines for the cranberry industry. The site review team will provide technical assistance and a quick response back to persons interested in determining the suitability of a site for development of a cranberry operation.

The Cranberry Site Review Team is composed of experts from Michigan State University (MSU), MDA, and MDEQ.

Also presented was an economic potential study conducted by the MSU Product Center and commissioned by the Michigan Cranberry Council, Michigan Farm Bureau, and the Michigan Food Processors Association, was reported on at the Cranberry Session. It is available from the MSU Product Center at <http://www.aec.msu.edu/product/documents>.

### **MDA Director Visits Michigan Food Processors, Farms and Agri-Businesses**

Director Koivisto, along with Agriculture Development Division staff and others, made more than 25 agri-business visits during 2008 throughout Michigan. These are one-on-one meetings, with chief executive officers and key staff to offer opportunities for problem solving and allow private discussions about their business and any issues where MDA may be of assistance. These have been very educational and have helped stimulate further growth and retention efforts in Michigan's food and agriculture industry.

### **AGRICULTURAL INNOVATION GRANTS**

MDA's Agricultural Innovation Grant Program, funded through the 21st Century Jobs Fund, offered grants with the charge aimed to accelerate the growth of Michigan's \$71.3 billion food and agriculture industry and help with diversification of Michigan's economy. **Highlights and outcomes are described in the attached "Michigan's Agriculture Industry, 2008: Ag-Innovation Grants, A Golden Opportunity for Economic Growth" report.**

### **SELECT MICHIGAN**

For the 2008 fiscal year In fiscal year 2008, MDA's the Select Michigan program conducted retail promotional activities for Michigan Apples, Potatoes, Dried Cherries, Asparagus, Peaches, Blueberries, Cherry Juice, Sweet Corn, Peaches, Tomatoes, Zucchini, Cantaloupes, and Carrots. Most in-store activities were conducted in the West Michigan or Detroit regional markets; however, in many cases, activities occurred in all retail store locations of a chain. Two Some examples were Spartan Stores, Meijer, Wal-Mart and Save-A-Lot.

The Select Michigan program conducted Special Farmer's Markets in 2008 in Lansing on the Capitol lawn with 52 vendors in July and 65 vendors in September. This represented a 148 percent increase in participation% at the July market and 59 percent% at the September market from 2007. Average sales in July were \$812 per vendor (same as 2007) and \$1,208 in September (increase of 54 percent%). In all markets, this amount was much higher than an average day's sales at their other venues. The growth potential at these two2 markets is expected to continue.

An additional market was conducted on the main campus of the Henry Ford Healthcare System in Detroit on August 22. Total sales reported at this market were \$6,542.00, an average of \$934 per vendor.

Select Michigan hosted a pavilion at the Associated Food and Petroleum Dealers (AFPD) Show, April 28-29, 2008. The pavilion was an assembly of Michigan companies that received discounted rates, special signage, and public relations support PR by Select Michigan as part of the larger show. These opportunities show offered exposure and networking opportunities to the participating companies resulting in. 1122 tTrade leads resulted fromfor the 9nine participating companies participating in the show. 80 percent reported that they expected their sales to increase, and 60 percent of t%he participants said they would have been unlikely to participate in the show without the support of the Select Michigan program.

In pPartnership with Michigan Food and Farming Systems and the MSU Product Center, Select Michigan hosted a "Meet the Buyers" Rreception as part of the 2008 Great Lakes Fruit, Vegetable and Farm Market Expo. The purpose was to connect growers with local retail and whole-sale buyers. They were given the opportunity to network and learn how to get their product onto store shelves and restaurants with. 50 buyers and 100 growers attendinged theis reception. Evaluations are still underway on this project.

The Select Michigan program also purchased radio spots for selected Michigan products in 2008. The Program placed paid commercial radio commercials in the retail market areas of Detroit and Grand Rapids. 13 flights of in-store radio at Spartan stores were also purchased to promote Michigan food throughout the year.

The Select Michigan program also received a free regular television segment and website called *Made in Michigan* on WMMT-TV 3, Channel 3 in Kalamazoo. With the largest reach in southwest Michigan, this show covered one-quarter of the Lower Peninsula. Twice a month during the growing season, Cookbook Author and Culinary Historian Priscilla Massie cooked with seasonal Michigan foods and shared health and economic facts about the featured product. During the winter months, processed Michigan food products were featured. Archived segments can be viewed at: <http://www.wvmt.com/sections/made-in-michigan>

*Come to the Table* was a one-hour Sunday evening radio program on Detroit's WJR- (News Talk 760 AM). In partnership with Eden Foods, this program was a place to learn about Michigan's unique agricultural and culinary heritage. Every week guest chefs, authors and industry experts discussed a lively topic that affects everybody...food! Special conversations explored important information on nutrition, culinary arts and healthy food choices. Archived 2008 programs can be listened to at: <http://www.760wjr.com/sectional.asp?id=23057>

A total of 9nine paid print ads were also placed in women's and food magazines in both Grand Rapids and Detroit reaching an estimated 525,000 consumers. Spartan Stores also placed the Select Michigan logo on over 900,000 ad circulars creating an estimated 23,400,000 consumer impressions at no-cost to the program.

Select Michigan also and AFPD created the Fresh Start Program this program's goal was to link Michigan farmers and food producers with wholesalers, distributors, retailers, and communities to increase their access to fresh local produce. The "Buy Local, Eat Fresh" pilot program worked to increase consumption of Michigan fruits and vegetables in 10 underserved southeast Michigan neighborhoods - 9 were in the City of Detroit and 1 was in the City of Pontiac. A series of 10 food events were held at the ten participating stores from July through November of 2008. The program received high ratings from the store owners, and 85 percent of the shoppers indicated that they felt Michigan grown products were fresher and were interested in trying them products in their homes.

### **INTERNATIONAL MARKET DEVELOPMENT PROGRAM**

The Michigan Department of Agriculture's MDA's International Marketing Development Program (IMDP) provides services and implements activities helping that help Michigan food and agricultural businesses enter or expand into access or expand into international markets. Programs and services are open to all Michigan producers, agri-businesses, processors, and packagers of all sizes and experience levels.

IMDP services and activities for the prior year include:

**(2007 data)**

- **Generated more than \$1.236 billion.**
- **Employs more than 13,800 residents.**
- **Exports almost one-third of its 200+ agricultural commodities.**
- **57 Michigan companies received reimbursement for international marketing activities and participated in trade missions, trade shows, and buyer's missions.**
- **These companies had actual export sales of \$20.3 million.**
- **These companies added 39 new employees due to the export sales.**

- **Food Export Association of the Midwest Program** – The IMDP assisted nearly 40 companies with questions about exporting, sourcing product from Michigan, and certificates needed for exporting. Michigan companies had the ability to participate in a number of activities sponsored by the MDA International Marketing Program and Food Export Association of the Midwest. Additionally, more than thirty 30 Michigan companies participated in Food Export Association programs, such as cost-share funding assistance to aid Michigan exporters promote their products in foreign markets, exporter education and focused trade missions, and these which receive funding from the USDA Foreign Agriculture Service. The International Marketing Program assisted nearly forty companies with questions about exporting, sourcing product from Michigan, and certificates needed for exporting.
- **Published List of Exporting Michigan Companies Online Export Directory** – The International Marketing Program (IMP) The IMDP also works to keep an updated maintains an online up-to-date directory of list of over 300 Michigan companies that currently export or have interest in exporting. ( The list is located on the International Marketing Program's Web site at [www.mdainternational.com](http://www.mdainternational.com)). The Web site also provides trade leads and information on upcoming activities that are open to Michigan food and agricultural companies.
- **International Buyer Meeting - Beginning and Experienced Export Training** – Activities included an educational seminar on exporting for beginning and experienced exporters. The Michigan Department of Agriculture (MDA) and the Food Export Association of the Midwest USA hosted an export seminar on February 22, 2008, in East Lansing at the Kellogg Hotel and Conference Center. Thirty-three attendees representing nineteen Michigan companies participated in the full-day seminar.
- The IMP also worked with Food Export Association of the Midwest to bring Food Service buyers to Chicago where Michigan companies were able to meet one-on-one with International buyers. Michigan companies were also able to participate in a number of other Food Export Association of the Midwest activities including trade show, buyers' missions, and the USDA Market Access Program (MAP) Branded Program.
- For the first time in over ten years, the *U.S. Food Export Showcase (USFES)* was not held in conjunction with the *Food Marketing Institute (FMI) Show*. The 2008 USFES show was co-located with the *All Things Organic* and the *Spring Fancy Food Show* in the newly named *Global Food & Style Expo*, April 27-29, 2008, in Chicago, IL. Companies participating in the Michigan Pavilion included: Graceland Fruit, Frankfort (dried fruits & vegetables); and Honey Tree, Onsted (honey products). The companies had projected domestic sales of \$220,000 and export sales of \$187,500
- The National Restaurant Association (NRA) Show held May 16-19, 2008 in Chicago provided a great opportunity for Michigan companies to showcase their products to domestic and international buyers. Four Michigan companies exhibited in the Michigan Pavilion in the American Food Fair Showcase. The companies exhibiting included: Flatout Flatbread, Saline (flatbread); Cole's Quality Foods, Inc., Grand Rapids (cheese & pizza sticks); Shoreline Fruit, Inc., Traverse City (dried fruit); and Zeeland Food Service, Zeeland (food grade soybean oil). MDA, along with Food Export Association of the Midwest, also hosted three international buyers from Japan, Canada, and Mexico. The buyers attended the NRA show and had one-on-one meetings with Midwest companies, including four companies from Michigan. Michigan companies meeting with the international buyers were Shoreline Fruit, RW Bakers, Serra Cheese, and Dorothy Dawson Foods.
- On July 23, 2008, 20twenty international buyers from Brazil, Canada, China, Colombia, Dominican Republic, El Salvador, India, Japan, Korea, Mexico, Philippines, Taiwan, Thailand, United Arab Emirates, and Vietnam traveled to East Lansing for one-on-one individual meetings with Michigan companies. The buyers were able to see American

retail trends by participating in store tours while in Detroit Michigan. They buyers toured major retail outlets in the Detroit area, which included a new Wal-Mart Supercenter, Papa Joe's, Kroger, and Costco before arriving in East Lansing to prepare for their meetings. Twelve Michigan companies participated in the Midwest Buyers Mission, including Burnette Foods, Fido Enterprises, Lesley Elizabeth, Honeytree, Inc., Coffee Express, Koeze Co., Quality Food Brands, Shoreline Fruit Growers, Groeb Farms, Cadillac Coffee, Great Lakes Gourmet, and Dearborn Sausage.

- **SIAL Paris Show** - The Food Export Association of the Midwest and MDA provided an excellent opportunity for producers of bakery ingredients and processed fruits to participate in a Focused Trade Mission to Taiwan, from September 27 through October 3, 2008. Three companies participated in the trade mission and had one-on-one meetings with buyers and were also able to gain first-hand knowledge by traveling to the market.
- The SIAL Paris Show held October 19-23, 2008 attracted over more than 145,000 people, with over 55 percent% of those buyers from outside of the French market. Michigan companies exhibiting at the show were part of the 9,300 exhibitors from more than 100 countries. Michigan participating companies participating in the show included Chartreuse Tea, Flatout, Shoreline Fruit, and the U.S. High Bush Blueberry Council, representing Michigan blueberry growers.
- **Export Educational Workshop** - The Michigan Department of Agriculture (MDA) MDA and the Food Export Association of the Midwest USA hosted an export educational workshop on November 7, 2008, in East Lansing at the Kellogg Hotel and Conference Center, for participants to learn about exporting to Canada. Twenty-four attendees representing 14 companies participated in the full-day seminar.

### **Michigan Agriculture Exporter of the Year Honee Bear Canning, Lawton**

Honee Bear Canning is a 60-year old, family-owned, fourth generation, fruit and vegetable processor which purchases more than 90 percent of their raw product from Michigan growers. The company, which began exporting in 1973, sells products to virtually all the major retail and food service customers, including Sysco, Wal-Mart, Kroger, and Safeway. The company exports to Australia, Canada, Iceland, Japan, Korea, Mediterranean countries, New Zealand, South Africa, and Taiwan. They have a calculated export growth of six percent in 2006 and eight percent in 2007.

### **GRAPE AND WINE PROGRAM**

The Michigan Grape and Wine Industry Council continues to provide a forum for statewide collaboration in research, promotion, and professional development to meet the changing needs of the growing grape industry. A separate Grape and Wine Industry Council report is required by section 709 of PA 253 of 2008 and is available upon request.

### **RENEWABLE FUELS AND BIO-PRODUCTS**

#### **Renewafuel, LLC, Marquette**

Renewafuel, LLC, a subsidiary of Cleveland Cliffs, Inc., announced in June 2008 the building of their first commercial plant near Marquette to make biomass dense fuel cubes as a substitute for coal. MDA has been working since 2007 with Renewafuel, LLC to develop this plant, which will use agricultural and forestry residues as biomass materials. This is a new, value-added market for Michigan crop farmers, woodlot owners, and forestry industry where residues can be productively processed into dense biomass fuel cubes to be used as a partial fuel substitute for coal and natural gas.

- \$10 million investment in construction of a new plant (completion: 2009).
- 25 jobs created.
- Renewafuel also invested nearly \$1 million in their Battle Creek production-scale research and development facility to expand capacity.

### Michigan Renewable Fuels Commission

Over the past few years, there have been many successes in the biofuels arena...mostly attributable to the work of the Michigan Renewable Fuels Commission (RFC), which Agriculture Development Division staff has assisted above and beyond their normal duties.

Secondly, attached one will find the 2008 Renewable Fuels Commission Report that was sent to Governor Granholm and the Michigan Legislature. The majority of the document was authored by Ms. Liesl Clark, with input from members of the Commission and other MDA staff. This report provides a compilation of the successes to date, as well as key highlights in the renewable fuels industry.

Finally, the RFC along with promotional, educational and developmental duties and activities were transferred in late 2008 by Governor's Executive Order to the new Michigan Department of Energy, Labor and Economic Growth (DELEG). The Michigan Department of Agriculture is appreciative of the efforts made by the RFC under MDA's direction, and looks forward to future successes under DELEG.

### **GRAPE AND WINE PROGRAM**

Section 709 of PA 253 of 2008 requires a separate report for the Grape and Wine Program. Please refer to the Grape and Wine Program report, which is attached.

### **COMMODITY CHECK-OFF BOARDS AND COMMODITY GROUP COORDINATION**

Representing the MDA Director, division staff attended for about 80 percent of regular, special, and annual meetings for Michigan's 14 legislatively established commodity groups and worked with the Assistant Attorney General and MDA staff on statutory issues and collection of unpaid or unremitted assessment funds. Through producer-run committees, nearly \$16 million in producer dollars was collected and spent on various promotion, research, and market development activities for their respective commodities. MDA Agriculture Development Division staff performs both programmatic and financial statement review and oversight responsibilities. Division staff also chaired several meetings with commodity executives and the MDA Director