

**COMMERCIALIZATION ROUNDTABLE MEETING**  
**December 4, 2006**  
**Constitution Hall, Brake Conference Room**  
**Lansing**

**MEETING SUMMARY**

The meeting was called to order at 1:30 p.m. by Chair, Mitch Irwin, director of the Michigan Department of Agriculture, and chair of the Commercialization Roundtable.

Committee members in attendance: Mitch Irwin, Keith Creagh, Pat Lockwood, Mike DiBernardo, Chris Peterson, Ken Nobis, Harley Sietsema, Earl Peterson, Amy Frankmann, Jeff Mason, Bill Mrdeza, Elaine Brown, James Butler, Traci Smith, Pat Anderson, Bill Webber, Pam McInitosh.

Absent committee members: Denise Yockey, Dennis West, Andy Cummings

**OVERVIEW/BACKGROUND**

Director Irwin provided an overview of [Act 442 of 1996](#) which establishes an agricultural valueadded commercialization roundtable. The Roundtable is charged with all facets involving the commercialization of agricultural products, processes and services, including:

- a) availability of capital
- b) innovation infrastructure
- c) university licensing of intellectual property

The 21<sup>st</sup> Century Jobs Fund earmarked \$5 million for agriculture innovation in the scope of grant awards (50/50 match). The Michigan Department of Agriculture (MDA) received 225 grant proposals, totally more than \$36 million. Of those proposals, 40 were recommended for funding, which covered 27 Michigan counties and could mean as many as 267 new jobs and over \$43 million in capital investment for Michigan. Grants from the Agricultural Innovation Fund, also known as the Julian-Stille Value-Added Program, are competitive and are designed to establish, retain, expand or attract value-added ag processing in Michigan.

**ECONOMIC LANDSCAPE**

Dr. Chris Peterson, Director of the MSU Product Center, provided a one-page document titled "Economic Impact on Michigan's Agri-food System." The major findings of the study concluded the following:

- \$60.1 billion total annual economic activity
- 1.05 million jobs (24% of Michigan population)
- \$8.6 billion in investment (last 5 yrs.)

\*These numbers reflect direct and indirect impact.

The total report may be viewed at [www.productcenter.msu.edu](http://www.productcenter.msu.edu) (click on Strategic Marketing Institute).

In order to realize the future potential impacts of Michigan's agricultural industry, we need continued support of expansion and entrepreneurship from the regulators, the university, and the banking industry.

## **STATUTORY RESPONSIBILITY**

### **Availability of Capital**

Mike DiBernardo, MDA's Economic Development Specialist, provided a handout on various state and federal financial assistance programs available to the agriculture industry, including aggie bonds, grants, direct loans, Julian-Stille Ag Innovation grants, etc. There is concern that agriculture is competing with other sectors for these funds and that there appears to be a need for ag specific financing.

Other funding options to research include:

- EDC Bonds (for projects over \$1 million)
- Capital Access Programs (which Michigan started implementing with banks again as a result of the 21<sup>st</sup> Century Jobs Fund)
- Venture Michigan Fund (\$95 million in market over next 3 years)
- Industrial Development Revenue Bonds
- Value-Added Producer Grant (must grow 51% of product; 50/50 match; 80% loan guarantee for ag processing...even for startup)
- Renewable Energy & Energy Efficiency Program (Section 9006)
- Jeff Mason indicated that the Governor recently announced a program with a Michigan bank that provides for loans up to \$40,000 per job created, up to \$10 million.
- FSA – provides up to \$750,000 to purchase land
- Economic Development Association funds – provides funds for feasibility studies; add 10% bonus if the producer is in an economic development region

### *Financing Challenges*

- Difficult for producers to identify their match. If they take out a loan for the match, they need to do it external to the business.
- Need finance opportunity for those who have proven to be successful.
- Local financial institutions uncomfortable with giving ag loans – don't understand the business.
- Need to develop bond program for the lender – at advantageous rates.
- State needs to provide loan guarantees to garner lower rates.
- Equity requirements too high
- Niche/specialty markets have difficult time getting loans as they are considered "risky"

It was suggested that state officials meet with rural lenders (serve as catalyst) to identify funding opportunities in their communities.

## **Innovation Infrastructure**

Resources are needed to sustain these entities:

- MSU Product Center
- Rural Development Partners
- Public/Private Consulting Firms
- Economic Development Corporation

It was discussed that in addition to the financial challenges the regulatory requirements enforced by DEQ are sometimes a significant hurdle or limiting factor.

## **University Licensing**

The agriculture community is not satisfied with the current process at MSU relative to intellectual property (IP) issues. It was suggested that the committee review the IP structure in Wisconsin – Wisconsin Alumni Research Foundation (WARF) where the standards for IP are more clearly defined.

## **ACTION PLAN**

State must:

- 1) educate the agricultural community about loan availability
- 2) establish loan guarantees
- 3) improve economic outreach within existing programs

It was suggested that a representative from the Economic Development Association and the Michigan Bankers Association, as well as key lawmakers, be invited to the next Roundtable meeting.

## **NEXT MEETING**

The next meeting will be scheduled for late March or early April. Minutes of the December 4 meeting will be e-mailed to the committee members.

Meeting adjourned at 3:30 p.m.