

CHAPTER 18

Best Practices in Entrepreneur Development

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Introduction

Food and farm business in the United States are a critical part of the economy including 5% of the Gross Domestic Product, 10% of employment, and 10% of citizens’ income. Sales from the food sector comprise \$1.4 trillion, with \$164 billion generated from value-added products. Innovation within the food system skyrocketed with food industry research spending doubling over recent years (Committee for Economic Development, 2017).

Michigan is one of the most diverse agricultural states in the United States (Michigan Department of Agriculture and Rural Development, 2019b). The Michigan Department of Agriculture and Rural Development estimates that more than four million hectares (10 million acres) of farmland spreads across nearly 48,000 farms throughout the state. Farms employ over 800,000 workers, making up 17% of the total employment for Michigan (2019a).

At Michigan State University (MSU) Extension, education and research focus beyond agriculture and include health, nutrition, personal finance, and youth. The MSU Extension team provides Michigan farmers and food enterprises with best-practice resources, training, and education specific to producing, processing, and managing the business including accounting, marketing, and finance. Supporting all aspects of the food and farm business is critical to farm sustainability.

Public Health Considerations

In the United States, major health and economic disparities exist across income classes. One in 10 citizens consume the recommended amounts of fruits and vegetables. Americans living below the poverty level consume fewer fruits and vegetables than those living with higher incomes (Centers for Disease Control and Prevention, 2018). Diet-related disease such as diabetes and cardiac disease are at an all-time high. In 2018, 11.1% of Americans experience food insecurity with over 7% of those being children;

whereas during this time in Michigan, 12.6% of its residents were food insecure (Coleman-Jensen et al., 2019). To help address this concern, the federal government delivers food assistance programs to provide additional food dollars to mothers, families, and other adults. These programs provide improved access to a wide variety of foods and offer special incentives for purchasing Michigan grown fruits and vegetables.

Over the past several decades, consumer food purchasing behaviors have changed due to the closing of neighborhood grocery stores. As food retail establishments closed in neighborhoods across the United States, residents have had limited access to healthy and affordable foods. The Centers for Disease Control and Prevention suggests that improving access to fruits and vegetables in food retailers can decrease the incidence of diet-related disease (2018). The change in food purchasing behavior has created inequity in access to healthy foods for individuals living in poverty and with limited transportation. The addition of farmers markets, small retail food businesses, and community-supported agriculture have provided improved access to healthy, locally sourced produce and products. Healthy Food Financing Initiatives have been created to support more neighborhood-based retailers (and other food-based businesses) to bring healthy food back into the cities (Myers & Caruso, 2016).

A statewide policy initiative was created to highlight opportunities for healthy food to benefit the state's economy and increase food and agriculture literacy, which also addresses these public health issues. This initiative, the Michigan Good Food Charter, seeks to re-envision the food system in ways that promote health, equity, sustainability, and thriving economies. The charter is coordinated by the MSU Center for Regional Food Systems with input from a statewide steering committee, composed of over 20 organizations with a vested interest in improving the state's food system. Through the efforts of the partners, positive change has occurred to improve access to healthy foods in schools and hospitals, create food hubs where produce and meat are aggregated for large institutional purchase, and develop training and technical assistance for food entrepreneurs (Kelly et al., 2018).

Entrepreneurship Programs

The MSU Product Center Food-Ag-Bio (Product Center) and the Michigan Good Food Fund provide food and farm businesses assistance such as planning businesses, creating value-added products from the farm, and selling products to food retailers. The Product Center is a center within the university that supports entrepreneurship throughout the value chain. The Michigan Good Food Fund is a public-private partnership with the university and nonprofit and for-profit organizations to help food businesses obtain business support and financing.

MSU Product Center

A part of MSU Extension, the Product Center provides food and farm businesses assistance in developing and launching new products into the food and agriculture markets. Businesses starting out or those already established work directly with a business coach called an *innovation counselor*, a field-based educator. Innovation counselors are geographically

dispersed throughout Michigan providing support such as business planning, product development, strategies to market products, and referrals to regulatory and other experts within the university and Extension.

The Product Center team includes dietitians, agricultural economists, food scientists, and packaging and processing professionals. Specialty Services, one of the services offered through the Product Center, provides business owners with access to a dietitian who assists in analyzing recipes and creating nutrition facts labeling for product packaging. Market research services assist the entrepreneur in considering real-time trends and market and consumer analysis often critical for business planning and expansion efforts. The team of food scientists at the university offer valuable services with testing for sensory and product formulation needed to increase product sales. The Product Center ensures that each entrepreneur receives customized service and counseling to manage a food or farm business.

Entrepreneurs working with the Product Center can participate in face-to-face and online educational trainings on topics such as, starting a home-based food business (<https://bit.ly/37DneGK>) or starting a commercial food business (<https://bit.ly/35zXPuL>). Each year, the Product Center team hosts a conference that combines educational sessions with a trade show titled Making It in Michigan. The event provides a half-day of educational sessions to help entrepreneurs manage, market, and grow their businesses. The event provides businesses the opportunity to showcase their food products to food retailers from around the state.

You can find more information on the MSU Product Center in Chapter 19: Entrepreneurship Through Market-Linked Extension: The Role of Institutional Innovations.

Michigan Good Food Fund

Programs to support access to healthy and affordable foods have been created to address these issues. Healthy Food Financing Initiatives were started throughout the United States to improve access to healthy foods, provide increased job opportunities, and develop healthier food options in communities. The Michigan Good Food Fund is one of many Healthy Food Financing Initiatives in the U.S. It supports food enterprises by providing technical assistance and financing options to healthy food enterprises.

The Michigan Good Food Fund aims to bring healthy and affordable, locally and sustainably grown and produced foods to communities where access to healthy and affordable foods is limited. A public-private partnership between the MSU Center for Regional Food Systems, the W.K. Kellogg Foundation, the Fair Food Network, and Capital Impact Partners, the program addresses this issue by supporting business along the value chain—from the farm to the processor to the restaurant and retailer.

The Michigan Good Food Fund is the key healthy food financing strategy in the Michigan Good Food Charter. The mission is to bring in more healthy and affordable foods to Michigan's communities by supporting businesses who use environmentally sustainable practices; create good, fair-wage jobs; and help to grow Michigan's economy. Part of the vision of the Michigan Good Food Charter, economic development and healthy foods for all Michigan residents, are the goals of the program.

Many food and farm enterprises lack the business acumen needed to manage the finance and marketing side of their businesses. Even more owners find that when financing is needed, they lack the ability to manage debt as well as the financial statements required by lending institutions. The Michigan Good Food Fund works to ensure that businesses, especially those often overlooked by traditional banks, are ready for debt financing by providing technical assistance around financial projections, product costing, and business planning.

Inequitable access to capital and lending is of concern for enterprises. In the United States, women and persons of color have had less ability to access financing (Henderson et al., 2015). The Michigan Good Food Fund aims to provide equitable access through flexible and patient financing terms. Directly assisting entrepreneurs with financial documentation and business support, the team connects enterprises with mentors and lenders. The team of specialists, working in partnership with the Product Center, provide technical assistance to help the businesses become ready for financing. Technical assistance can include business planning, financial review, e-commerce sites establishment, and marketing.

Working together with MSU Extension, the Center for Regional Food Systems, the Product Center, and the Michigan Good Food Fund team can help product makers source more locally grown food. Product makers searching for local ingredients can use the online tool MarketMaker to locate farmers near them while producers can find product makers searching to source specific ingredients including meat, produce, and honey (MarketMaker, 2019).

Food safety is important for the farm business. Compliance with local, state, and federal regulatory agencies is a must for a successful food and farm business. Producers selling to institutions such as schools and hospitals have specific food safety guidelines to follow. Programs such as Farm to School help to reduce barriers for the agricultural industry to sell directly to schools. These programs have increased access to healthy foods and increased long-term revenue for the farmers (National Farm to School Network, 2017). Farmers looking to process meat and poultry that they produce, can work with specialists within MSU Extension and the Product Center to ensure proper sanitation procedures are in place. MSU Extension also provides food safety certification options for food processors including Better Process Control School trainings as well as Hazard Analysis and Critical Control Point trainings to help support food and farm ventures in Michigan.

Aggregation of farm products is often necessary to meet the demand of large institutional buyers. In Michigan, 12 food hubs work to increase market opportunities for farmers to sell products to large institutions such as schools and hospitals. These businesses sell to two to 800 institutional customers and have increased the sales of locally grown and processed foods throughout the state. The food hub serves as an aggregation point for produce, meat, poultry, and egg producers to connect to large procurement buyers such as hospitals, universities, and schools who require large quantities for sourcing. Farmers and processors can sell their products to the food hub, which then sells directly to individuals, institutional buyers, or distributors. A statewide network, Michigan Food Hub Network, facilitated by the MSU Center for Regional Food Systems, exists to engage and support

these businesses on topics of aggregation, storage, processing, and distribution (MSU Center for Regional Food Systems, 2019).

Case Studies

Food and farm businesses in Michigan range across the value chain from traditional farming to processing to retail outlets. Unique business opportunities have been created to help address the public health issue of limited access to affordable and healthy foods. Included here are several examples of businesses who started to fulfill a need.

Community Supported Agriculture (CSA) is a strategy that allows community members to purchase shares of a farmer's crop or land to allow for access to farm fresh produce and sometimes dairy, eggs, and meat. The business model connects the grower directly to the consumer and reduces risk to the farm business as members pay for shares prior to the start of the season. The CSA or often referred to as "veggie boxes" are filled with farm fresh items and picked up or delivered straight to the customer/member. Individuals or groups of employees at corporations may buy a share allowing them to receive farm fresh products delivered to their work sites. Farmers who participate can benefit by having access to working capital in advance of the season (through member payment at the start of the season) and increased profits (U.S. Department of Agriculture Alternative Farming Systems Information Center, 2019).

Figure 18-1. An urban farm with a hoophouse for season extension.
(Photo by Takidia Jenkins-Smith)



One example of a CSA farmer is a young woman from Grand Rapids, a city in Michigan with the second largest population in the state. A mother of three, she started growing her own food out of financial need. She and her children, along with the neighbors, maintained urban farms in their neighborhood. To supplement her family's income, she sold the produce she grew as CSA shares to the neighbors and at the local farmers market. By growing her own food, she was able to supply her family and her neighbors with healthy and affordable food choices. She attended a business training conducted by the Michigan Good Food Fund team where she spent three days learning about profit and loss statements, value proposition, and building a business model canvas. She received assistance from the MSU Extension community food systems educator in her area to better manage her business.

Figure 18-2. Owners of Zilke Farms check the health of their plants.
(Photo by Vicki Zilke)



Figure 18-3. The Zilke Farm Kitchen serves meals made from farm fresh produce and meats. (Photo by Vicki Zilke)



Another farmer who expanded her farm business for additional revenue opened a farm kitchen. After growing produce on a 5-acre farm for many years and hearing stories from her customers that they no longer had time to prepare meals at home, she opened a small retail location with a commercial kitchen. In the kitchen, her team prepares ready-to-heat meals with food that is fresh from the farm including her produce and another local farmer's chicken. Selling pre-cooked food allows individuals the opportunity to purchase healthy and affordable meals. With the support of the Michigan Good Food Fund and the Product Center team, this farmer was able to open an online store where customers can preorder meals. She also received support with writing grants to help fund expansion of the store. This technical assistance was provided to the client both pre- and post-financing.

One other example of an agribusiness supported by the services of the Product Center and the Michigan Good Food Fund is a farmer raising chickens on pasture. Producing smaller quantities of product than the typical chicken farmer, this young farmer received assistance from MSU Extension and the Michigan Good Food Fund. MSU Extension services supported him with establishing a CSA as well as licensing and regulations needed for selling to restaurants. Requiring financing for expansion, he worked with the Michigan Good Food Fund lender to complete all necessary loan documents and obtain funding for equipment purchases.

Figure 18-4. Old World Farm owner Eric Shevchenko Alegria produces pasture-raised chickens for local restaurants. (Photo courtesy Eric Shevchenko Alegria)



Conclusion

Services like those offered by the MSU Product Center and the Michigan Good Food Fund partners provide the necessary assistance to grow food and farm businesses. Aligning these programs within MSU Extension provides extended technical assistance and support of the enterprises.

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