

AGENDA PRIORITIES

15. Direct \$10 million to regional food supply chain infrastructure development investments through the Michigan state planning and development regions or other regional designations.

MICHIGAN'S 21ST CENTURY JOBS FUND NEEDS A FOOD AND FARMING FOCUS

Steps that Pedro Bautista and his neighbors are taking to move their farms forward are not exactly new. Yet the smaller scale growers from Van Buren County in southwest Michigan are in fact on the cutting edge of the food and agricultural economy.

By forming a cooperative to market their blueberries, Bautista and a dozen other Hispanic growers are following a tried and true method for building collective marketing power. The innovative part is the cooperative's development of its Farmers on the Move brand and other efforts to make the group's berries stand out in the store.



Photo by Patty Cantrell

They're investing in the higher profit potential of connecting with consumers who want to know more about where their food comes from, who produced it, and how. It's the first step in a longer-term "product differentiation" strategy that Bautista believes will allow the group to expand over time to add other farm neighbors, Hispanic and non-Hispanic, and a wider range of fruits and vegetables. "We hope in the next few years that many who are still doing this on weekends will be working 100 percent on their farms," he said.

Breaking out of the anonymous commodity market is a promising strategy, according to Tyler Smith, account executive with Newhall Klein Inc., the Kalamazoo firm that provided market research and brand development services to Farmers on the Move. He found, for example, that the small farmers' contribution to farmland preservation in Michigan, even as immigrants, has significant consumer appeal. "Beyond providing a quality product, which is a given, it's the people who grow the blueberry that make the difference," Smith says of the firm's research.

Matt Birbeck, marketing and supply chain specialist with the Michigan State University Product Center, concurs. Positioning a product as low cost and convenient is still half the battle, he says of the industry's long-time focus. "But consumers these days are looking beyond the product and focusing more on the farm business. Customers are becoming far more clever at buying from businesses they like."

Need

Most existing processing and distribution companies are set up to move large-scale loads of berries and other products anonymously. As opportunities shift to more local, regional, and specialty markets, additional sorts of supply chain facilities and services are needed to move products in new ways.

Government has a role in easing the way with public investments that encourage the private sector. The Hale Group, leading farm and food strategists in the United States, makes this point in a recent Agrostrategies article on global agri-food development: "The key to

sustainability is private sector investment. But first, public sector investment that reduces risk and creates an environment for reasonable rates of return is needed in the short and medium-term to facilitate the entry and profitability of business ventures.”¹

Opportunity

Michigan can unlock the business development potential of its majority small and mid-scale farms by recognizing that sometimes the most basic technology can be the most cutting-edge. Smaller scale, low-tech food storage, processing, and distribution solutions for new market opportunities may not fit economic development agencies' perception of advanced technology. But these facilities and services are the types of investment agencies could encourage to advance the state's farmers and their potential to create jobs, stimulate local commerce, and preserve farmland and other green economy assets.

State leaders need look no farther than the successful Julian Stille Agricultural Innovation Fund for a high return on investment model. The state agriculture department administered the Julian Stille Fund between 2006 and 2007 with a one-time \$5 million appropriation out of the \$2 billion 21st Century Jobs Fund. Its express purpose was to support agricultural innovation, including the wide frontier of opportunities in local and regional sales.

A total of 40 grants in 27 counties leveraged eight times as much private capital investment, generated 119 jobs immediately, and built the foundation for long-term job development across a number of companies and markets.² All of the grant-funded activities were innovations that moved companies, industries, and the state forward.

Action

State lawmakers took an important first step in 2010 when they added agricultural processing to the list of business activities eligible for support from Michigan's 21st Century Jobs Fund. Yet the high-technology focus of the fund may cause decision makers to overlook the 21st century advancement possible with basic food processing, distribution, and other food system infrastructure investments. Local and state leaders can shift this situation by taking the following steps:

- *Designate \$10 million in 21st Century Job Fund dollars for a farm and food innovation grant program based on the Julian-Stille model.*
- *Design grant program scoring around fulfillment of regional food system plans.*
- *Work with Michigan State Planning and Development Regions or other regional designations to oversee development of strategies for regional food system infrastructure development.*
- *Support these regional bodies in establishing regional development authorities that could provide additional financing to state-funded projects.*

1-2-3 Go!

Michigan has 14 State Planning and Development Regions, also known as councils of government. The organizations are key players in land use and economic development activities that build your region's future. Contact yours. See where it is in food system activity, and let administrators know your view on its importance.

¹Ludwig, R. and Sisson, K. (2010) "Can the World Feed Future Generations?" AgroStrategies. Retrieved April 14, 2010 from <http://www.halegroup.com/phpwcms/download.php?f=f8815f70a7b975d4d8658bbc6b6fad00>.

²Michigan Department of Agriculture. (n.d.) "Michigan's Agriculture Industry: 2008 Ag-Innovation Grants." Retrieved April 19, 2012 from http://www.michigan.gov/documents/mda/aginnfin_268412_7.pdf