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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF AGRICULTURE
LANSING

DAN WYANT
DIRECTOR

November 2, 2003

David Conklin, State Director
Michigan Office of USDA--Farm Services Agency
3001 Coolidge Road, Ste. 350
East Lansing, MI 48823

RE: Michigan's USDA Specialty Crop Block Grant Annual Report of Activities

Dear Mr. Conklin:

Please accept this memorandum as an annual report on activities regarding how the Michigan Department of Agriculture (MDA) is utilizing the \$3.75 million Specialty Crop Block Grant it received in 2001 from the U.S. Department of Agriculture. This annual report should serve as an update to last year's report dated July 30, 2002.

The federal funds were allocated in three primary areas. The first area consisted of a series of three competitive grant programs that were funded with \$3,241,751 to Specialty Crop Block, Julian-Stille Value Added Agriculture and International Market Development purposes. These competitive grants were distributed to Michigan agricultural producers, commodity organizations, food processors and agri-businesses. The second primary area was state (MDA) programs receiving \$312,749. Finally, \$215,500 was allocated for administrative costs to MDA for proper oversight, grant management and program evaluation and use of these federal dollars.

Results and Details of Competitive Grant Programs

In the three competitive grant programs that were funded with \$3,241,751 of federal dollars, 115 grant proposals were received requesting a total of \$7.26 million. Of the proposals requesting funding, MDA was able to fund 65 proposals to date.

The Specialty Crop Block Grant and Julian-Stille Value Added Grant recipients have recently submitted mid-term progress reports. Keep in mind these are mid-term results, a final report is due on each funded project that should more accurately portray the total impact of these programs on Michigan's specialty crop industry. Aggregate results of those reports are as follows:

- 3,138 Michigan specialty crop producers have directly benefited as a result of the programs

- 83 Jobs have been created and others retained as a result of competitive grants
- \$710,000 increase in export sales as a result of the international market development grants
- \$2,793,700 of new sales for Michigan businesses as a direct result of the various grants programs.

The following is a description of each individual competitive grant program:

<u>Specialty Crop Commodity Block Grants Program:</u>	<u>Amount</u>
	\$ 1,644,751

Grants committed directly to Michigan commodity organizations and producers to strengthen, promote and develop markets for their specialty commodities. It should be noted that originally a total of \$2.1 million was budgeted for these specialty crop block grants. Due to only \$1.64 million being committed, the remaining funds were redirected to other uses, described below. The USDA/MDA documented value and volume of each specific commodity, produced in Michigan, determined amounts available to each commodity. Details on funding levels and projects are provided on pages 4 and 5 of this memorandum.

<u>Julian-Stille Value Added Agriculture Specialty Crop Grant Program:</u>	\$ 1,200,000
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Michigan has a new value added agriculture grant program based on Public Act 322 of 2000, the "Julian-Stille Value-Added Act" and related administrative regulations. Eligible applicants were producers, farmer-owned cooperatives, food processors, agri-businesses, commodity organizations that are legislatively authorized and units of local government to develop, process and market new value added products. MDA has used five percent of the fund for administrative purposes. The deadline for specialty crop proposals under the Julian-Stille Value Added Agriculture Grant Program was June 14, 2002. Applications were accepted in four categories; Market Research & Technical Assistance, Business Plan Development, Utilization of Innovative Technology and Land, Facility, Equipment or Infrastructure Development. A complete list of funding levels and project descriptions are provided herein on pages 5, 6 and 7.

<u>Michigan International Market Development Grant Program:</u>	\$ 177,000
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Michigan has an ongoing grant program in which commodity organizations, producers and food processors utilize state grants in order to further develop export markets. Additional funds were made available to specialty crop organizations. One hundred thousand dollars (\$100,000) was committed during

fiscal year 02 (FY02). Of the \$462,749 remaining from the specialty crop block grant program, \$177,000 was re-directed to the international market development program with seventy-seven thousand (\$77,000) for FY03, which ends September 30, 2003. No monies will be committed for FY04. Descriptions of allocations and projects for FY02 and FY03 are contained on pages 7 and 8 of this memorandum.

Home Grown Organic Specialty Crop Promotion: \$ 200,000

Since most Michigan organic producers do not benefit from conventional commodity promotion programs, a portion of the USDA Specialty Crop Grant was set aside for organic specialty crops. These funds were committed in FY02 to the Cooperative Development Services Organic Alliance to increase consumer awareness of locally or Michigan grown or processed organic specialty crops through in-store promotions and other marketing activities. These activities will occur over a span of eighteen months (through December 2003) and will be coordinated with the Select Michigan/Select Michigan Organic and Select Michigan Fresh logos and the "Select a Taste of Michigan" pilot program.

Second Area: MDA Programs

MDA Organic Certification and Regulatory Program: \$ 100,000

The Michigan State Legislature passed a regulatory/certification law (P.A. 316 of 2000) that is being implemented by MDA's Pesticide and Plant Pest Management Division. Funds will be used to establish certification requirements and a registration program for organic products as well as a licensing program for third party certification and other regulatory start-up functions of that statute. Of the remaining \$462,749 from the block grant program, \$100,000 was redirected in FY02 for this certification and regulatory effort.

MDA Michigan State Fair Specialty Crop Promotion: \$ 50,000

MDA Fairs, Exhibitions and Racing Division for use with commodity organizations and others to promote Michigan-produced specialty crops at the 2002 Michigan State Fair administered funds. Of the \$462,749 from the block grant program, \$50,000 was redirected in FY02 for promotion at the Michigan State Fair.

MDA Select a Taste of Michigan Market Development Program: \$ 162,749

The Agriculture Development Division will utilize these funds to organize and implement domestic market development/Select Michigan activities that will create and expand markets for Michigan specialty crop products both within the state as well as a pilot program in the Grand Rapids region. Of the \$462,749 from the specialty crop block grant program, \$162,749 will be redirected to undertake Select Michigan activities to be expended in FY '02, FY '03 and FY

'04. Pages 8, 9, 10 and 11 of this memorandum provide more information on the pilot program's goals, partners, Michigan food product promotions and accomplishments to date of the successful Select Michigan domestic market development pilot program entitled, "Select a Taste of Michigan."

MDA Specialty Crop Program Administrative Support: \$ 215,500

Funds were retained by the Michigan Department of Agriculture to manage the oversight of financial allocation and grant administration of the various specialty crop programs during the work projects time period of FY01 through FY04.

Grand Total **\$3,750,000**

Specialty Crop Commodity Block Grant Funding Levels & Project Descriptions

- The Michigan Bean Industry Commission - \$283,500 to support domestic markets at canning firms and export markets in Mexico and Argentina and to support research on the benefits of dry bean consumption.
- The Michigan Apple Committee - \$264,600 to develop a consumer advertising campaign and begin an inspection program for fresh Michigan apple exports to Mexico.
- The Michigan Potato Industry Commission - \$239,400 to research cultural practices of growing new Michigan potato varieties and the storability of new varieties, and to promote new processing varieties and the new "Michigan Purple" variety.
- The Michigan Cherry Committee - \$140,700 to promote Michigan tart cherries at farm markets, gourmet and natural food stores, and to provide technical support for firms developing new tart cherry products.
- The Michigan Nursery & Landscape Association - \$120,870 to research flowering shrubs to meet market needs and to develop landscape potential of Great Lakes native varieties.
- The Michigan State University Pickle & Pepper Research Council - \$102,997 to research various components of cucumber growing, including water quality testing for fungus, treatment of fungus-infested soil and fungicide resistance monitoring.
- The Michigan Blueberry Growers Association - \$76,819 to educate Great Lakes region consumers on the health benefits of eating blueberries.
- The National Grape Cooperative, Inc. - \$56,700 to research health benefits of Concord grape juice.
- The Michigan Sod Growers Association - \$53,400 to exhibit at landscape trade shows and to promote Michigan sod in landscape trade publications.

- The Michigan Asparagus Advisory Board - \$52,500 to develop an asparagus salsa product, produce fresh asparagus packaging and to develop a higher quality pickled asparagus product.
- The Michigan Carrot Industry Program - \$52,500 to research new markets for Michigan-grown and processed carrots and to research disease prediction.
- The Michigan Christmas Tree Growers Association - \$50,000 to create a promotional video on Michigan Christmas trees, purchase a trade show booth and to exhibit at trade shows.
- The Michigan Onion Committee - \$29,400 to conduct market research to identify customers for prepared Michigan onions.
- Michigan Peach Sponsors - \$27,300 to create Michigan peach variety profile sheets and bulletins.
- Great Lakes Glads, Inc. - \$27,000 to promote Michigan cut flowers.
- The Michigan Celery Cooperative - \$8,471 to create new promotional materials for Michigan grown celery.
- Miedema Farms - \$7,734 to promote sliced radishes to the prepared salad industry.
- Gene Rhodes "The Pumpkin Man" - \$6,310 to advertise and to print pumpkin and squash promotional cookbooks.
- The Michigan Cranberry Council - \$5,000 to produce promotional materials for fresh Michigan cranberries.
- The New Era Canning Company - \$5,000 to promote the New Era green bean label in local retail stores.
- The Southwest Michigan Wine Trail Association - \$5,000 to produce a promotional brochure on the vineyard and winery stops in Southwest Michigan.
- Ramey Farms - \$5,000 to promote Michigan pumpkins, blueberries, sweet corn, peaches and strawberries through advertising and direct mail.
- Metzger Farms - \$5,000 to promote Michigan pumpkins, sweet corn, tomatoes, cabbage and peppers through a produce booklet.
- Walters Nursery - \$5,000 to promote Michigan perennials and ground cover through a garden supply catalog and via the web and gardening magazines.
- Rainbow Valley Gardens - \$5,000 to promote Michigan perennials through new market channels.
- Black Star Farms - \$4,550 to promote its Pear-in-the-Bottle and Spirit of Pear spirits.
- The Leelanau Peninsula Vintners Association- \$2,500 to produce a promotional brochure on the vineyard and winery stops along the Leelanau Peninsula.
- Everlastings in the Wildwood - \$2,500 to promote Michigan perennials through advertising and mailings.

Julian-Stille Value Added Funding Levels & Project Information

Category 1 - Marketing Research and Technical Assistance

- Michigan Apple Committee, DeWitt - \$47,500 to conduct marketplace research for fermented and distilled Michigan apple beverages.

- Leelanau Fruit Co., Suttons Bay - \$45,000 to develop a brandied cherry product targeted to both the domestic and international baking industry.
- Great Lakes Glads, Inc., Bronson - \$41,500 to conduct market research to determine the potential for flowering potted peonies.
- Michigan Cherry Committee, DeWitt - \$40,000 to determine extended potential for a new Michigan Balaton tart cherry.
- Venuto & Associates, Lansing - \$30,000 to develop web-based resource manual for existing and potential Michigan vintners and wineries.
- Asparagus Enterprises, Inc., DeWitt - \$25,000 to provide technical assistance for launch of new product line, "Chunky Asparagus Salsa."
- Chateau Chantal, Old Mission Peninsula - \$20,000 to develop a pilot "Great Lakes Wine Academy" to partner with local community college culinary school to teach consumers wine characteristics and pairing with foods.
- SubTerra, LLC, White Pine - \$15,000 to conduct research on potential markets for re-utilizing the White Pine Mine as a biosecure growth chamber for plants.
- Cherry Marketing Institute, DeWitt - \$10,000 to identify positioning strategies for high value, new Michigan Balaton tart cherries.
- Michigan Potato Industry Commission, DeWitt - \$10,000 to conduct comprehensive research on the potential for a potato hydration plant.
- Uncle John's Cider Mill, St. Johns - \$2,500 to provide technical assistance for the development of a pilot, small scale fermented apple beverage production facility.

Category 2 - Business Plan Development

- 21st Century Alliance of Michigan, Ubyly - \$50,000 to develop a business plan for an integrated and coordinated dry bean supply chain.

Category 3 - Utilization of Innovative Technology

- Great Lakes Packing Co., Kewadin - \$50,000 to develop technology capable of recovering and recycling cherry juice lost in the pitting process.
- Michigan Apple Committee, DeWitt - \$50,000 - to apply technology for the production of fermented apple beverages.
- Sills Farm Market, Lawrence - \$50,000 to adapt technology to enable production of fresh cut apple slices.
- Great Lakes Glads, Inc., Bronson - \$28,925 to utilize software that will allow for partnerships with non-profit fund-raising organizations in the sale of flowering, potted peonies.
- St. Julian Wine Co., Paw Paw - \$28,800 to apply technology for the construction of wine barrels made of Michigan white oak.

Category 4 - Land, Facility, Equipment or Infrastructure Development

- Leelanau Fruit Co., Suttons Bay - \$75,000 for the purchase of equipment and infrastructure to re-open the Buckley, MI sweet cherry processing facility
- Peterson Farms, Inc., Shelby - \$75,000 for the purchase of state-of-the-art equipment to increase value-added fruit juice processing capacity.
- Stokes' Blueberry Farms and Nursery, Grand Junction - \$75,000 to purchase

equipment allowing for the grading and sorting of fresh blueberries.

- Honee Bear Canning, Lawton - \$72,750 for the expansion and renovation of the company's fresh asparagus line.
- Rocky Top Farms, Ellsworth - \$71,300 for the expansion of the processing and packaging operations at the family fruit orchards.
- Great Lakes Glads, Inc., Bronson - \$56,250 for the construction of a production facility for flowering, potted peonies.
- Crosby Mint Farms, St. Johns – \$45,000 for the purchase of mint processing equipment.
- JD Farms, Rogers City - \$37,500 for the development and construction of a specialty, edible bean milling and bagging facility.
- Black Star Farms, Suttons Bay - \$33,000 to expand the winery's distillery operations.
- St. Julian Wine Co., Paw Paw - \$30,400 for the purchase of fermenting processing equipment to produce premium wines from Michigan-grown red *Vitis vinifera* grapes.
- Northern Michigan Natural Growers, LLC, Kaleva - \$24,575 for the purchase of equipment to produce premium organic fresh pressed fruit and vegetable juices.

FY02 International Market Development Funding Levels & Project Descriptions

- The Cherry Marketing Institute – \$55,000 to organize a consumer-oriented, in-bakery promotion in Germany and to establish Michigan cherry sales to the Mexican industrial baking industry.
- The Michigan Apple Committee – \$25,000 to establish fresh and processed Michigan apple sales to Mexico.
- The Michigan Potato Industry Commission – \$12,950 to promote the import and utilization of Michigan chipping potatoes in Costa Rica and other Central American countries.
- The Michigan Bean Industry Commission – \$12,050 to promote Michigan dry edible beans in the United Kingdom and Cuba.
- The Michigan Grape & Wine Industry Council – \$10,000 to promote Michigan wines in Europe.
- The Michigan Food Processors Association – \$9,000 to promote Michigan specialty and fancy foods in Canada.
- Vollmar Family Farms – \$6,000 to promote Michigan organic beans and grain in Europe and Japan.
- The Michigan Blueberry Growers Association – \$5,000 to establish Michigan blueberry sales to the Mexican industrial baking industry.
- The Michigan Cranberry Council – \$5,000 to establish Michigan cranberry sales to the Mexican industrial baking industry.
- The Michigan Farm Bureau – \$5,000 for trade research and to promote sales to Cuba.
- Zeeland Farm Services, Inc. – \$5,000 to promote identity preserved soybeans and vegetable oil in Japan, Canada and Europe.

FY03 International Market Development Funding Levels & Project Descriptions

- Black Star Farms - \$5,000 to exhibit at international wine & spirit shows
- Michigan Apple Committee – \$5,000 to promote processed apple products to the

- Mexican baking industry
- Honee Bear Canning - \$12,000 to exhibit in trade shows in Japan, Korea & Mexico.
- Michigan Cherry Committee – \$5,000 to promote processed cherry products in the Mexican baking industry
- Michigan Apple Committee - \$10,000 to open the Mexican market to fresh Michigan apples
- Safie Specialty Foods -\$5,000 to print and distribute promotional materials in a foreign language
- Michigan Cherry Committee - \$15,000 to promote Michigan grown cherries in the German marketplace through trade shows, promotional materials and an in-country consultant
- Michigan Cranberry Committee - \$5,000 to promote processed cranberry products to the Mexican baking industry.
- Michigan Blueberry Growers Association - \$5,000 to promote processed blueberry products in the Mexican baking industry
- Michigan Bean Commission - \$6,000 to promote quality of Michigan dry beans prior to auction of bean importing permits in Mexico
- L. Mawby Vineyards - \$2,500 to participate in European wine industry trade shows promoting Michigan produced wine
- Michigan Grape & Wine Industry Council - \$8,000 to promote the Michigan wine industry in the European marketplace through trade publications and promotional materials
- Spelt Institute - \$5,000 to promote the use of spelt as an ingredient to Japanese food processors
- Tassos Epicurean Cuisine - \$3,000 to participate in a trade mission-promoting product in Greece.

Select Michigan/SELECT A TASTE OF MICHIGAN PILOT PROGRAM

- In 2002-2003, the Michigan Department of Agriculture piloted the ‘Select a Taste of Michigan’ Program in the Grand Rapids area.
- Focusing on retailers, this pilot was a collaborative partnership between the Michigan Department of Agriculture (MDA), Michigan Integrated Food & Farming Systems (MIFFS), selected West Michigan retailers, community groups (Grand Rapids Community College Culinary Arts Program and the Grand Rapids Ballet), and Michigan Commodity Groups and Organizations.
- The goals of the program was to (1) increase sales of Michigan grown food products, including organic foods; (2) increase or preserve farm and food business income and jobs; and (3) preserve farmland and rural businesses.
- All collaborated to develop and implement educational campaigns to promote locally grown conventional and certified organic food products to Michigan consumers and retailers.

- Sixty-eight retail stores and approximately 152 growers have directly participated in the 2003 campaign to date.
- Kickoff in March 2003 in Grand Rapids, included MDA Director Dan Wyant and Governor Jennifer Granholm along with nearly 250 persons in attendance.

PROGRAM RETAIL PARTNERS

- *D&W Food Centers*
- *G.B. Russo & Son*
- *Harvest Health*
- *Meijer*
- *Spartan Stores*

PROMOTIONS CONDUCTED SINCE APRIL 2003

- *Soy*
- *Eden Soymilk*
- *Zeeland Farm Soya, SelectOil Brand*
- *Fresh Michigan Asparagus*
- *Tender Tips Brand Michigan Asparagus*
- *Pioneer Sugar*
- *Brownwood Acres Cherry Concentrate*
- *Indian Summer Cherry Juice*
- *Shoreline Brand Michigan Dried Cherries*
- *Traverse Bay Brand Michigan Dried Cherries*
- *North Bay Produce Blueberries*
- *Michigan Blueberry Growers Association/The Blueberry Store*
- *North Bay Produce Michigan Peaches*
- *Greg Orchards & Produce Michigan Peaches*

UPCOMING PROMOTIONS

- *Michigan Organic Produce*
- *Money's Mushrooms*
- *North Bay Produce Apples*
- *Riveridge Produce Marketing Apples*
- *Belle Harvest Apples*
- *Michigan Potatoes, Product test of new "purple" potatoes*
- *Michigan Holiday apples*
- *Michigan Carrots*
- *Michigan Turkey*
- *Michigan Lamb*

SPECIFIC ACCOMPLISHMENTS

- *Eden Foods obtained new distribution of 6 SKU's into Meijer*
- *Introduction of Tender Tips Brand of Michigan Fresh Asparagus in Spartan stores*

- *The Blueberry Store obtained new distribution in 85 Spartan stores, Feldpaush and other independent retailers*
- *To date 15,750 consumers have sampled Michigan products at our 105 demos for the first 4 promotions in the Grand Rapids area*
- *Coordinated 29 demos were conducted statewide for Select Michigan Sugar and Cherries. Over 6000 consumers sampled the product at these demos alone.*
- *Approximately 300 point of purchase displays in partnering retailers*
- *Developed new media partnerships in Grand Rapids.*
- *533 paid radio commercials and 512 radio promotional mentions have run in Grand Rapids for Select Michigan. Over 100 media interviews have been conducted.*
- *Meijer wants us to organize an organic cooperative to grow exclusively for them*
- *The Select Michigan Asparagus promotion increased product sales in Grand Rapids by 65% and kept the price per case of Michigan product 27% above their competitors (California and Ontario) according to the Michigan Asparagus Advisory Board. Their \$7500 contribution leveraged \$25,000 in retail promotions and advertising; a 300% return on their initial investment.*

TESTIMONIALS

From Don Armock Riveridge Produce Marketing, Inc.

".... we want to compliment you on a outstanding promotional plan and implementation. The Select A Taste of Michigan program hits our retail community with a program that they are able to get behind and one that truly supports the family farm and farming community... This program has the potential to make a major impact in Michigan produced products in our home state and will likely "spillover" into other marketing areas...."

From Mark Girardin, President North Bay Produce

"...we welcome and support such an undertaking (Select a Taste of Michigan) and consider the technical, value-added promotional and grant opportunity to be necessary in order to continue our place as a viable business entity."

From Brent Tackett, National Sales Manager Cherry Central

"This grant program will not only add incremental sales to our processes products, but it will also add income and job stability to the workers at all of the processing facilities as well as to the workers in the local Michigan farms."

From Tom Oomen, President, Michigan Asparagus Growers, Inc.

"This project will enable us to offer employment opportunities to perhaps hundreds of new employees, as our industry transitions to a more labor-intensive fresh market focus."

From John Bakker, Executive Director, Michigan Asparagus Advisory Board
At the June Michigan Commission of Agriculture Meeting... "Sign me up for next year!"

WHERE DO WE GO NEXT YEAR?

- Pilot scheduled to end in December 2003 for Retailers (MDA) and 2005 for Producers (MIFFS).
- Grant Application has been submitted to USDA Rural Development for a Rural Business Enterprise grant to continue and expand the program
- Pledges in private funding from Michigan Commodity Groups and Organizations
- Strong interest from participating retailers as well as others statewide retailers such as Krogers and Farmer Jack.
- MDA program efficiencies; combining all the market development programs into the Agriculture Development Division will add staff and synergy to this effort.

Dave, I appreciate this opportunity to explain the use of the \$3.75 million of USDA specialty crop grant monies and a clarification of recent changes in use of these monies. As you can see, much has been accomplished. Please contact me if you have any questions or comments. Best regards.

Sincerely,

Robert G. Craig, Director
Agricultural Development Division

RGC:dms

cc: Director Wyant
Keith Creagh
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