

Michigan Municipal League

The Starting Block Kitchen Incubator



Hart, Michigan



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PROJECT DETAILS:

NAME:

The Starting Block Kitchen Incubator

PROJECT START DATE:

2006

LOCATION:

Hart, Michigan

THE GIST:

The Starting Block is a non-profit kitchen incubator that aims to help grow small businesses to eventually become long-term sustainable companies in the food systems and natural resources sector. The Starting Block assists by providing licensed commercial kitchen facilities, entrepreneurial education and peer-to-peer networking to new and expanding businesses in the multi-county, West Central Michigan region and beyond. Products produced at The Starting Block include jams, granola, baked goods, spice mixes, salsas, pretzels, pickled and dairy products, tamales, pasta, dry muffin mixes, and caramel corn varieties.



The Starting Block Kitchen Incubator

OVERVIEW:

The Starting Block Kitchen and Business Incubator is a nonprofit, regional economic development organization committed to assisting individuals who want to take a special recipe to market or create a food or natural resource business. Specifically, it's for businesses just starting out, or companies outgrowing their current facilities. The Starting Block has multiple commercial licensed kitchens available 24/7 at affordable rates to help clients grow their food production business without the initial investment in costly facilities and equipment.

THE CHALLENGE:

A major agriculture issue in the Oceana County Region in West Michigan, where Hart and The Starting Block is located, is the difficulty of small, family-operated farms to remain profitable and stay in business long-term. Raw crop farming is profitable, but only if sold in considerable quantities and at a low price in a market where large farm corporations already dominate. One method to increase profitability for small farms is through the selling of value-added and processed farm products. These products can sell for a higher price compared to raw farm products, which means higher profit margins for small farms and farmers. But start-up costs needed to create these value-added products often exceed what a new business owner can afford. The Starting Block provides the licensed kitchen facilities at an hourly rate to clients allowing individuals to pursue their entrepreneurial aspirations and create innovative food products.



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ACCOMPLISHMENTS:

- The Starting Block is the first commercially licensed kitchen incubator in the state of Michigan.
- Since starting in 2006, about 150 to 200 clients have used Starting Block facilities. And 22 clients “graduated” from the program by moving on to their own facilities and even building their own licensed kitchens.
- An estimated two to three jobs are created by each client.
- Success stories include:
 - **Good Life Granola** has been featured on the Today Show with Kathie Lee and Hoda and Cooking Light magazine, and can be found in Meijer stores nationally as well as in numerous other grocery store chains;
 - **Uncle Gene’s Backwoods Pretzels** are now sold in Cracker Barrel Restaurants and Old Country Stores nationally;
 - **Wee Bee Jammin’** has its own store in Bear Lake, between Manistee and Traverse City, and can be found in retail stores throughout Michigan, as well as in stores in Illinois, Virginia and California;
 - **Mother Mary’s Canning** produces a variety of jarred goods, including apple-sauce, pickled beets, and pickled asparagus. The company graduated from The Starting Block and built its own commercial kitchen at the family’s home in Cheboygan;
 - **Dr. Flynn’s Organic Granola** continues to make its product at The Starting Block and is sold online through Amazon.com and Michigan retail stores in New Era, Pentwater, Ludington and Hart.
- There are currently about 30 clients who use The Starting Block on a regular basis. Additional past and present clients include North Beach Foods specializing in handcrafted gourmet vegan products; Sassy Seasonings producing gourmet all-purpose seasoning blends; El Cardenal Salsa and Tamales; Olive’s Gluten-Free Bakery producing donuts, muffins and other baked goods; In MI Oven dry muffin mixes; Fresco Mercato pastas; Kandland Dairy specializing in feta and chevre goat cheese; The Kernel’s Place Popcorn; The Cake Flour producing artisan cakes and pastries; Potter’s Pantry Pickled Products; Chabolie’s Hot Sauce; El Camino hot sauce and burrito mix; The Ambience Way tea products; Silent K. Apiary honey; Cool B’s meat-rub products; The Purple Cupcake; Red Chef Bakery; Ice Box Brand ice cream bars; Lomoncao Sicilian Cookie Company; Ellis Island Tropic Tea; B & B Farms canola oil; Bananadog Tea specializing in tea and infused chocolates; La Fiesta Chips; My Pet Gabriella Cakes dog snacks; and Bearboy Gourmet grill-rub products.
- To get started, with the assistance of the Michigan Food and Farming Systems (MIFFS), The Starting Block applied for and received a \$283,700 grant in 2003 from the U.S. Department of Agriculture (USDA). It also received a \$40,000 planning grant from the Michigan Economic Development Corporation (MEDC).
- The organization is a USDA-inspected meat processing facility, making it just one of a few such kitchen incubators in the nation that are able to process meat products, such as jerkies, sausages and meat-filled products. A \$225,000 Grant from the MI Economic Development Center was received in 2012 in part to construct a separate meat-processing building on site.



- The organization is also unique in that its facility is registered as a FDA Food Facility, with the ability to produce acidified foods, such as pickles, barbecue sauces and salsas.
- In 2014, The Starting Block received a \$37,500 grant from Michigan Department of Agriculture and Rural Development to purchase equipment to do pasteurizing, giving it the ability for clients to produce dairy-related products, such as yogurts and cheese. This grant also allowed the purchase of an automated single piston filler that expedites the production of hot sauces, jams and similar products.
- It previously housed drum dryer equipment that attracted researchers from throughout the world. The drum dryer had the ability to dry various food products, and researchers would come to The Starting Block to conduct research, experiments and tests.
- The facility now consists of two buildings totaling 11,280 square feet, which includes kitchen space of 2,600 square feet. In addition to commercial kitchen space, there is freezer, refrigeration, and dry storage, as well as rental office space and meeting rooms available.
- There is an indirect positive impact on the local economy. Many clients come from long distances (200 miles or more), requiring them to stay at local hotels, eat at area restaurants, shop at local businesses, purchase items at local grocery stores to make their products, and hire local people to assist in their businesses.
- The Starting Block now helps others start kitchen incubators. For a modest fee, Starting Block staff teach the ins and outs of creating a kitchen incubator business or non-profit organization. Most recently, the following incubators got started: Flint Food Works at the Flint Farmers Market; Grow Benzie Incubator Kitchen in Benzonia, Michigan; Niles Entrepreneur and Culinary Incubator; and Frankenmuth Farmers Market. While The Starting Block was the first, there are now about a dozen kitchen incubators in Michigan.

BUDGET:

A feasibility study estimated a total cost of \$1.2 million to get The Starting Block off the ground, but Steiner, Dosemagen and Henley were able to start it for one-third of that (approximately \$400,000). Key to this was extensive networking and pooling their interests and talents to develop a commercial kitchen on a shoestring budget. Buying used equipment instead of new was particularly vital to controlling costs. The Starting Block is looking at ways to no longer depend on grants to supplement operational costs and to come up with new revenues to offset a current-year shortfall of about \$30,000.

FUNDING:

Initial funding for The Starting Block came from a federal USDA Rural Development grant, and state grants from the Michigan Economic Development Corporation and MIFFS. Without these partners, The Starting Block could not operate.



HOW-TO START A KITCHEN INCUBATOR:

1. Study

A feasibility study into the viability of a kitchen incubator in the Hart area was conducted as part of a requirement to get the initial USDA start-up grant.

2. Research

Do research to learn from others. Before making any major decisions about the facility, Steiner, Dosemagen and Henley visited one of the first kitchen incubators in the nation – the Appalachian Center for Economic Networks in Athens, Ohio. They paid \$500 for a day-long how-to class.

3. Collaborate

Create an entrepreneurial atmosphere that is conducive to sharing, networking and collective problem solving. Two elements that drive this type of atmosphere are the culture and the leadership.

4. Help when asked

Starting Block staff give an initial training to new clients but then get out of the way. Their approach is to help when clients ask. Knowledgeable staff are available to offer on-going help as needed. Clients are encouraged to share successes and failures and learn from each other.

HOW-TO BECOME A CLIENT AT A KITCHEN INCUBATOR:

1. Get an application guide. The Starting Block provides each potential new customer with a step-by-step application guide to follow.

2. Have passion for your product but be open to criticism. The Starting Block advises clients to ask friends and family for honest feedback, suggestions on improving the product and, most importantly, whether they would pay for it. But be aware that often friends and family do not provide a candid assessment that a realistic market analysis needs. Working with a kitchen incubator can provide small entrepreneurs with limited business experience the expertise and guidance they need.

3. Consider doing independent taste testing.

4. Stick to your bread and butter best products. Some clients come in with a large variety of products and try to produce them all at once. Starting Block staff recommend beginning with your best couple products and then expanding from there as the business grows.

5. Create a label for your product that includes nutrition information and a UPC bar code. Go to www.michigan.gov and enter “food labeling guide” in the search box to get detailed instructions.

6. Don’t be a know-it-all. Starting Block staff encourage clients to take risks and move forward without having all the certainty. Be comfortable with ambiguity.

7. Business decisions should be client-driven.



8. Do concrete cost calculations, compare your product costs with retail prices and decide whether your products are feasible.
9. Know that getting an MDA license and marketing your product will be among the most difficult things you'll do when getting started.
10. **Determine your rates.** Most kitchen incubators in Michigan charge hourly rates to clients. The Starting Block has some of the lowest rates in the state: \$15 an hour for kitchen use; \$10 a pallet per month for dry storage; and \$75 a pallet per month for cooler and freezer storage.
11. **Know that marketing and distribution will be challenging.** Getting people to know about your product and then getting the product in their hands is difficult for incubator clients. Some have purchased their own trucks for delivery, others have turned to the Internet and sell online, and others have secured coveted partnerships with major retailers. But know that it will be an ongoing challenge.

LESSONS LEARNED:

➤ Collaboration is key

Working with others and networking is an important part of The Starting Block's business philosophy. The board that oversees the non-profit, for example, includes a diverse group of individuals representing community leaders from a range of professional affiliations and several counties in the region.

➤ Buy used equipment

It was more work but buying used equipment instead of new saved the program tens of thousands (possibly hundreds of thousands) of dollars.

➤ Hire people who can do the work

Steiner knew Jane Dosemagen and her husband, Jim Henley, because he would dine at the restaurant they owned in Hart. The restaurant went out of business when Steiner was looking for people to help run The Starting Block. Steiner

knew their restaurant experience would be invaluable and the three of them did most of the work at the site themselves, including tearing down walls, refurbishing and repairing the used equipment.

➤ **Purchase only what you need**

Some incubators purchase too much equipment at the beginning. It's important to have the basic equipment, but then add other equipment as you go. Essential start-up equipment includes a convection oven, self-contained steam kettles, Hobart mixers, and reach-in refrigerators and freezers. Beyond these basic appliances, other equipment decisions should be made in collaboration with client needs.

➤ **Put it on wheels**

Most equipment at The Start Block is on wheels, which results in better flexibility in meeting clients' needs.

➤ **Stay focused**

Running an incubator can take you in many different directions. The Starting Block provides two basic services—access to physical facilities that the client would not otherwise have, and business education and development training. The Starting Block then has four main processes and procedures: A. Training clients; B. Providing basic services; C. Expanding services based on demonstrated client need while diversifying income streams; and D. Creating an atmosphere that makes it all work.

➤ **Know that getting the required Michigan Department of Agriculture license won't be easy**

A food establishment may not commence production operations before an MDA food safety inspector has evaluated the facility and issued a license. In some ways, licensing is an ongoing process. A kitchen license does not automatically cover all food products; kitchens are licensed only for specific products. Starting Block staff said having a good working relationship with their local MDA inspector is key.

➤ **Partner with others**

One of The Starting Block's most important partnerships is with the City of Hart. The city received a grant to purchase the facility that became The Starting Block, which continues to lease the property from the city at a low rate.

➤ **Breaking even will be difficult**

After nearly 10 years in operation The Starting Block continues to struggle financially on client revenues alone. The facility runs at only 50 percent of its capacity. Grants and other assistance help sustain the program. Staff continues to look at ways to expand services to bring in additional revenue and become self-sufficient.

SIMILAR PROJECTS:

- Flint Food Works in the Flint Farmers Market: <http://www.flintfoodworks.net/>
- Downtown Market Incubator Kitchen, Grand Rapids: <http://downtownmarketgr.com/incubator-kitchen>



- Facility Kitchens in Lowell: <http://www.facilitykitchens.com/>
- Detroit Kitchen Connect: <http://detroitkitchenconnect.com/>
- Can-Do Kitchen in Kalamazoo:
<http://www.fairfoodmatters.org/candokitcheninfo.php>
- Grow Benzie Incubator Kitchen, Benzonia, MI:
<http://www.growbenzie.org/>
- Kitchen 242 in the Muskegon Farmers Market:
<http://www.muskegonfarmersmarket.com/kitchen/>
- Additional ones are listed here:
<http://www.culinaryincubator.com/maps.php?state=MI>

CONTACT THE EXPERTS:

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ADDITIONAL DOCUMENTS AND RESOURCES:

- In-depth case study on The Starting Block:
[http://www.ifama.org/files/IFAMR/Vol%2017/Issue%201/\(9\)%2020130001.pdf](http://www.ifama.org/files/IFAMR/Vol%2017/Issue%201/(9)%2020130001.pdf)
- The Starting Block website: <http://www.startingblock.biz/>
- View a list of Starting Block equipment and services here:
<http://www.startingblock.biz/get-started-incubator-kitchen-facility.html>
- Culinaryincubator.com
- Good Life Granola website: <http://www.goodlifegrano.com/>
- Uncle Gene's Backwoods Products website:
<http://parallel45enterprisesinc.vpweb.com/>
- Wee Bee Jammin' website: <http://www.weebiejammin.com/>
- Mother Mary's Canning website: <http://www.mothersmaryscanning.com/>
- Dr. Flynn's Organic Granola website: <http://drflynnorganics.com/>
- View additional information, including websites and Facebook pages, about other Starting Block clients here:
<http://www.startingblock.biz/products-michigan-made-foods.html>
- Starting Block YouTube news video:
<https://www.youtube.com/watch?v=MEdDPDam-6U>
- Starting Block YouTube news video:
http://www.youtube.com/watch?v=BJ5_iQqym3E
- Starting Block YouTube news video:
<https://www.youtube.com/watch?v=l2GgTGNP4Qo>
- MiBiz article on kitchen incubators in Michigan:
<http://mibiz.com/item/20620-incubators-help-launch-food-based-businesses>
- Review Magazine about Flint Food Works Kitchen incubator:
http://www.mml.org/resources/publications/mmr/issue/mar-apr2015/thereview_marchapril2015_web.pdf



SOURCE MATERIAL:

Material for this case study was compiled, in part, from a 2009 case study of The Starting Block published in 2014 by the International Food and Agribusiness Management Review. The authors of that case study were Jenifer Buckley, H. Christopher Peterson, and Jim Bingen. Information and data from the 2009 study were updated with the assistance of Jane Dosemagen, Starting Block interim director; and Jim Henley, Starting Block kitchen manager.

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Experts from around the world—in academic, business, and public sectors alike—agree that investing in communities is a critical element to long-term economic development in the 21st century. Michigan's future depends on its ability to attract and retain knowledge-based workers. Central to attracting this priceless commodity is place. Research proves that successful 21st century communities effectively leverage the assets summarized in this brochure. Learn more and stay engaged at mml.org.

Who we are...

The Michigan Municipal League is dedicated to making Michigan's communities better by thoughtfully innovating programs, energetically connecting ideas and people, actively serving members with resources and services, and passionately inspiring positive change for Michigan's greatest centers of potential: its communities.

What we know...

Never before have so many diverse interests, from academic researchers to the business community to government leaders, shared a single conclusion: Michigan's future depends on its ability to attract knowledge-based workers. And what is central to attracting this priceless commodity? Place, specifically vibrant 21st century communities.



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