

## **A Feasibility Study for the Grayling Food Hub**

**Prepared by**

William Knudson, and John Whims  
Product Center Food Ag Bio  
Michigan State University

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## Executive Summary

This feasibility study analyzes the potential success of the city of Grayling's proposed Food Hub, named the Northern Market (NM). In addition to a traditional farmers market; the city also envisions food retail, commercial kitchens, other retail, and food distribution firms located at the food hub. This feasibility assessment will focus on economic feasibility, market feasibility, technical feasibility, financial feasibility and management feasibility. To the greatest extent possible, this analysis follows the outline in RD 4279-B Appendix A *Guide for the Completion of Feasibility Studies* from the U.S. Department of Agricultural Rural Development. The firm's business plan and other sources of information are the basis this study. We are considering all of the key supply-side and demand-side aspects of the region within a 50 mile radius from Grayling, See Map 1, below for reference.

**Map 1: Area of Analysis, 50 Mile Radius from Grayling**



Source: Internet, <https://fabulousbydesign.net/map-of-lower-michigan/>

The NM project is feasible from an economic, marketing, technical and managerial perspective. It is also financially feasible but there is a great deal of risk. The project is heavily dependent on grant revenue to be profitable; if the NM is not successful in obtaining grants, the project as it is currently configured is not feasible. However, if the scope of the project were narrowed to focus initially on the retail/farmers market the likelihood of financial success would be improved.

## I. Economic Feasibility

The current plan is to retro fit an existing building on I-75 Business Loop (BL) to create the NM. The building is well suited with all major utility requirements present (electricity, water and sewer and heat) with easy surface transportation access and a large parking lot which will easily accommodate large volumes of passenger cars, busses, and semi- trucks.

One potential source of concern, however, is access to farmers and their products. This region of the state is not a major producer of horticultural products, although it is not too far from some major fruit producing regions and other pockets of farm production. The number of farms and the level of sales in 2012 is shown in Table 1.

**Table 1: Number of Farms and Sales Crawford and Surrounding Counties 2012**

<b>County</b>	<b>Number of Farms</b>	<b>Market Value of Sales (1,000s)</b>
Antrim	415	20,966
Crawford	49	260
Kalkaska	224	8,803
Missaukee	433	126,002
Montmorency	151	53,853
Ogemaw	280	46,261
Oscoda	145	6,907
Otsego	180	7,065
Roscommon	58	NA
<b>Total</b>	<b>1,935</b>	<b>270,117</b>

Source: U.S. Census of Agriculture

In 2012, there were slightly more than 1,900 farms in the region with sales representing approximately \$270 million. If the food hub can recruit 1 percent of the farmers in the region it would be enough for a well-functioning farmers market. The mix of farms is important, and the leadership of the food hub are aware of this fact. To be successful the farmers market will need to attract farmers that produce meat and dairy products as well as fruits and vegetables.

Another important input in the success of Northern Market is access to sufficient labor; this is important for both the food hub and the vendors that rent space from Northern Market. The unemployment rate Crawford and surrounding counties is shown in Table 2.

**Table 2: Unemployment Rate in Crawford and Surrounding Counties November 2017**

<b>County</b>	<b>Unemployment Rate</b>
Antrim	6.1
Crawford	6.5
Kalkaska	6.0
Missaukee	4.8
Montmorency	9.5
Ogemaw	6.4
Oscoda	7.2
Otsego	5.5
Roscommon	7.3

Source: Michigan Bureau of Labor Market Information and Strategic Initiatives

The unemployment rate in this region is higher than the overall state unemployment rate of 4.6 percent in November 2017. The unemployment rate in the region varies from 4.8 percent in Missaukee County to 9.5 percent in Montmorency County; it is 6.5 percent in Crawford County. The unemployment rate should, however, decline in Crawford County when Arauco-North America begins operations in the fall of 2018. Arauco-NA is a company that manufactures particle board and is expected to fully employ 250 workers for a plant that will be located just south of Grayling. The majority of the new hires will come from the region as well as some workers moving in from outside of the region which will have a highly positive impact on the local housing market. The NM and some vendors may have to recruit workers from the surrounding region. While a sufficient number of potential workers appears to be available, it should be noted that labor shortages of qualified workers are becoming a statewide issue.

One of the strengths of this location is its access to existing infrastructure. In addition to excellent access to roads it is connected to water, sewer and electricity. Wi-Fi will be provided to the facility for use by both tenants and customers.

Proponents of the NM expect to generate \$1,118,000 in revenues not including the profits earned by the vendors. IMPLAN, a standard economic impact software package was used to estimate the economic impact of Northern Market; the total economic impact for the state of Michigan is estimated to be approximately \$2,011,000, if the operation generated the \$1.1 million in annual revenue.

While recruiting key management staff may be an issue, and is discussed in more detail in the management section of the report, the project is feasible from an economic perspective. There are sufficient resources available for the project to be successful and the location is excellent.

### III. Market Feasibility

A major strength of the project is the location of NM. NM is located on the I-75 BL, which feeds into to M-72, the major East/West route that connects Traverse City to the West and Mio to the East, See Map

2. The I-75 BL easily receives the heaviest volume of traffic in Grayling and the surrounding area. The Michigan Department of Transportation (MDOT) estimated in 2016 (the latest data), that the Annual Average Daily Traffic (AADT) count was 24,848 vehicles a day, See Figure 1. This is up considerably from the previous year's AADT of 17,524. There is no meaningful explanation for the significant increase year-over-year since they record the events at the same time, at the end of August. It is possible, however, that the impact of the start of the academic school year starting around Labor Day (Sept. 1<sup>st</sup>) and the day it falls on the calendar each year. The more important take away from the data is the positive trend upward in the volume of traffic on I-75 BL from 1994 to 2016, this bodes well for the NM, and hopefully the 2017 data will continue to show the strong move higher experienced in 2016. Another key consideration of the NM is the seasonal flow of traffic and the impact on the operation. Grayling is ideally positioned for those tourists traveling both north/south and east/west in the state for destination vacations, especially during peak summer months.

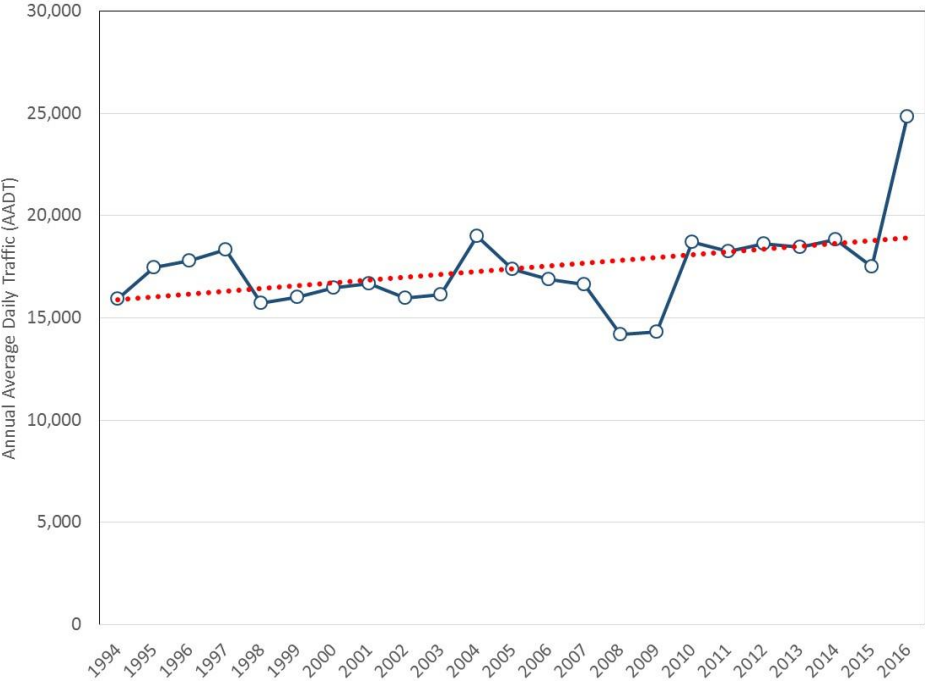
Figure 2, highlights the seasonal aspect of travel in the Grayling area. The MDOT data was collected for the last week of August in 2015 (the most recent collection of 15 minute traffic intervals) at a location one tenth of a mile south of M-72 on I-75 BL (actually near the proposed NM location). The data shows that traffic volume increases throughout the week and peaks on Friday at 13,512 (heavy traffic going north during the summer) and then drops considerably on Saturday to a vehicle count of only 8,881, a decline of 34.3%. Peak daily traffic also occurs consistently throughout the week during lunch hour on the I-75 BL. Friday, however, shows traffic persistence until 8:00 PM in the evening with the travelers still heading north. The biggest limitation for NM logistically is the absence of a southbound exit off of I-75 near the facility. There continues to be ongoing discussions and lobbying, however, by the city to establish a southbound exit off of I-75 closer to town, if this exit were to be realized, it would greatly enhance the already desirable location of the NM.

Map 2: Grayling Food Hub Site Location



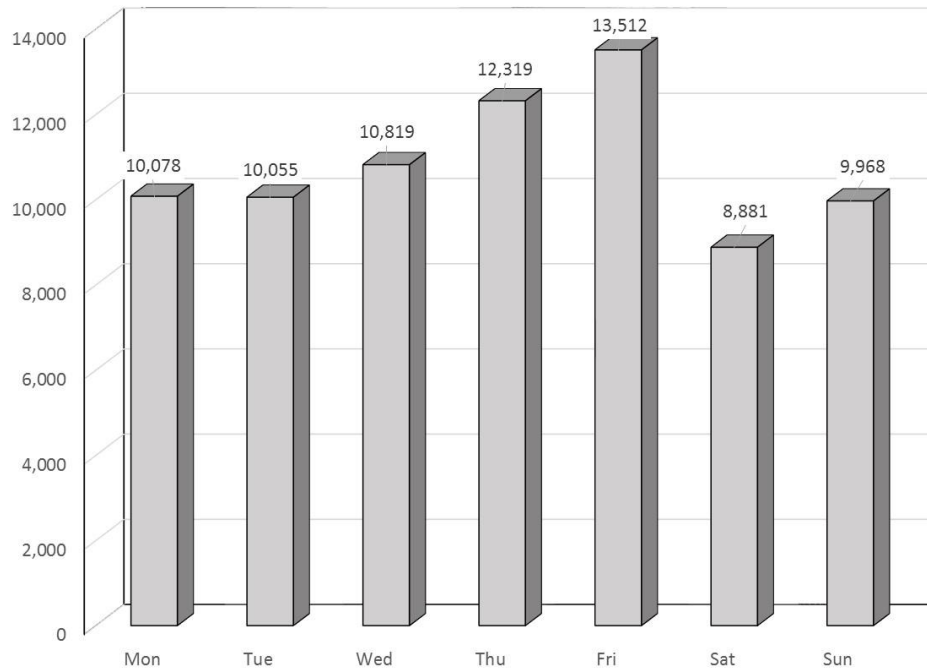
Source: Michigan Department of Transportation, Arc GIS Maps

Figure 1: Average Annual Daily Traffic for the Gaylord I-75 Business Loop (End Ramp I-75 to Street JCT M-72)



Source: Michigan Department of Transportation (Traffic Monitoring Information System)

**Figure 2: 2015, Daily 24 Hour Total Vehicle Count (0.1 Mile South of South Junction M-72 on I-75BL)**



Source: Michigan Department of Transportation (Traffic Monitoring Information System) data recorded from August 12, 2015 to August 19, 2015.

There are many additional positive attributes of the project that enhance feasibility of NM. Currently, a portion of local residents travel to Gaylord, (located approximately 30 miles north from Grayling) to buy food. NM would certainly become an attractive option for Grayling residents to purchase locally. The current farmers market accepts bridge cards and double up bucks which expands the market to include consumers with limited incomes. Another source of demand is the local hospital which has recently expanded. This will bring additional people to the Grayling area; especially Monday through Friday.

A major strength of the project is the wide variety of businesses that would rent space at NM. In addition to a farmers market, there is expected to be a beer and wine store, a steakhouse, a boutique clothing store, a Starbucks type coffee shop, and a meat store which may be related to a co-located slaughtering plant. A store that offers ice, freezer bags, and items for vacationers will also be located at the food hub. Other food related retailers will also be located at the food hub. Additionally, there is the potential to recruit producers of Amish and Mennonite crafts. Additional specialty stores are a chocolate store, a fruit store and a cheese store.

It is anticipated that another source of income would be meeting spaces (rooms that could be rented). The facility could have space to hold classes, and several educational institutions are interested in using the food hub. These include Kirtland Community College and Cleary College; other local schools and Goodwill Industries may also be interested in using the meeting spaces.



Another source of income will be rentals from three commercial kitchens. It is envisioned that the kitchens would be used by caterers, producers of honey, maple syrup and egg producers, and other agri-food entrepreneurs. There would also be one demonstration kitchen that will be used for educational and farm to table activities. This facility will have 24 hour a day accessibility and storage and freezer space for rent. Storage and freezer space and 24 hour accessibility is important for agri-food entrepreneurs who may have limited access to capital and have non-traditional work schedules.

Given the excellent location of the NM, the facility has attracted the interest of food distributors and others interested in obtaining and transporting farm and food products throughout the state. Four food firms have already stated that they would be interested in expanding their operations when the facility is open and ready to rent space. Among those expressing an interest in using space at the food hub is Leonardo's produce a food distributor in Detroit, Cherry Capital foods located in Traverse City, the Marquette food hub, and interested firms located in Mackinaw Island and Alcona County. Family Fare, a local grocery store is interested in using the food hub as a source of fresh produce. Grayling is well positioned to link the food needs of northern Michigan and southern Michigan.

There appears to be relatively little competition in the area; according to the U.S. Census Bureau's County Business patterns, there were only four food retailers in Crawford County, three of which appear to be quite small. While the population in the region is relatively small, there does appear to be opportunities to expand food retailing in the region, especially retailing geared toward tourists.

While the population of the region is relatively small, increased economic activity in Grayling and the surrounding area could increase the demand for the products and services, especially during lunch hour. Table 3, shows the estimated population for Crawford and the surrounding counties from 1990 to 2016. Crawford county grew from a population of 12,319 in 1990 to 13,744 in 2016, an increase of 11.6%, higher than the state of Michigan population change of 6.6% over the same time period. Population statistics also reveal interesting growth trends in Crawford county where those individuals that are 65 years of age or older have increased significantly from a 15.0% share of the population in 1990 to a 25.1% share of the population in 2016, an increase of 67.3%, See Table 4. It should be noted that many of the surrounding counties also appear to be aging. This could be a combination of the existing population getting older plus new retirees that are moving into the region to experience the beauty of the area and the lower costs of living. This "older population" trend will need to be well understood as the food hub markets to the region.

**Table 3: Population Trends for Crawford and Surrounding Counties 1990-2016**

County	1990	1995	2000	2005	2010	2016	Percent Chg	Avg Anl
							1990-16	Chg
Antrim	18,258	20,468	23020.5	24,261	23,499	23,144	26.8%	4.5%
Crawford	12,319	13,472	14234.5	14,644	14,046	13,744	11.6%	1.9%
Kalkaska	13,515	15,233	16636.5	17,381	17,136	17,263	27.7%	4.4%
Missaukee	12,235	13,501	14412.5	15,099	14,814	15,102	23.4%	3.8%
Montmorency	8,976	9,781	10276	10,222	9,775	9,173	2.2%	0.3%
Ogemaw	18,776	20,715	21639.5	22,071	21,636	20,904	11.3%	1.9%
Oscoda	7,872	9,000	9424.5	9,108	8,603	8,264	5.0%	0.1%
Otsego	18,047	20,870	23380.5	24,758	24,152	24,470	35.6%	5.5%
Roscommon	19,957	23,276	25444	25,678	24,469	23,700	18.8%	2.7%
<b>Total</b>	<b>129,955</b>	<b>146,316</b>	<b>158,469</b>	<b>163,222</b>	<b>158,130</b>	<b>155,764</b>	<b>19.9%</b>	<b>3.2%</b>
Michigan	9,311,319	9,676,211	9,944,118	10,051,137	9,877,495	9,928,300	6.6%	1.1%

Sources: U.S. Census Bureau and State Demographer

**Table 4: Percent of Population above 65 years of age or older for Crawford and Surrounding Counties, 1990-2016**

County	1990	1995	2000	2005	2010	2016	Percent Chg
							1990-16
Antrim	17.4%	17.8%	17.6%	18.9%	22.2%	26.3%	8.9%
Crawford	15.0%	15.7%	16.7%	18.1%	20.9%	25.1%	67.3%
Kalkaska	13.4%	13.9%	13.8%	14.3%	16.6%	19.4%	44.8%
Missaukee	14.8%	14.8%	14.8%	15.7%	17.4%	20.0%	35.1%
Montmorency	22.9%	24.0%	23.7%	24.9%	27.0%	30.5%	33.2%
Ogemaw	18.0%	18.0%	18.8%	19.3%	22.1%	24.9%	38.3%
Oscoda	20.5%	20.6%	20.4%	21.6%	23.6%	26.9%	31.2%
Otsego	13.6%	13.6%	13.8%	15.0%	17.1%	20.3%	49.3%
Roscommon	24.9%	24.2%	23.9%	24.8%	28.1%	30.8%	23.7%
Michigan	11.9%	12.4%	12.3%	12.5%	13.8%	16.2%	36.1%

Sources: U.S. Census Bureau and State Demographer

The population in the region is about 156,000 which is roughly 1.6 percent of the entire state of Michigan. While this is a relatively small population base to pull from; the expansion of Munson hospital, and Kirtland Community College could increase demand. Nonetheless, the ability to attract tourists and seasonal residents to the food hub will be a major factor in the success of the venture. NM expects attracting 3,000 to 4,000 visitors every day. While this figure is attainable in the summer and early fall; it might be too optimistic for the winter and early spring months.

Another source of increased demand is military personnel at Camp Grayling. Currently, the plan is to increase the utilization of the Camp which will increase the number of people being trained there. It is important that some marketing efforts are geared toward the troops that are visiting Camp Grayling. While the increased utilization of Camp Grayling is a positive development it may not be permanent. It should also be noted that future administrations may reduce military spending which will reduce the number of stays at Camp Grayling. Also, in order to take full advantage of the opportunity Camp Grayling presents, bus or van service to and from the food hub may be necessary.

Another source of demand is the Iron Belle Trail, a hiking and bike trail that links Detroit to the Upper Peninsula. It is anticipated that Northern Market will be a trail head for the Iron Belle Trail. This also has the potential to generate consumer interest. Snowmobilers are another group that might be interested in Northern Market. There are several snowmobile trails in the area.

Perhaps the greatest strength of the proposed venture is the number of firms that are already committed to the food hub. A list vendors who have made commitments is listed in Table 5. Since some of these vendors have not signed contracts or are not yet in business their names withheld.

**Table 5: Committed Vendors**

Type of Vendor	Location
Large Meat Market	Grayling Area
Beer and Wine Store	Grayling Area
Steakhouse	Grayling Area
Catering Company	Grayling Area
Clothing Boutique	Grayling Area
Fruit Fam	Antrim County
Fish Vendor	Chrlevoix County
Chocolate Compnay	Otsego County
Fresh Vegetables and Baked Goods	Grayling Area
Large Fruit and Vegetable Vendor	Detroit
Sausage Company	Buckley /Wexford County
Consumer Kitchen Supply Store	Otsego County
Bulk Food Store	Otsego County
Juice Bar	Otsego County
Coffee Bar	Detroit

Source: Northern Market from Blight to Might

Additionally, seven firms are in the process of negotiating office spaces leases at the facility. Not only are there several firms who are committed but they represent a wide range of agricultural products. It is important to focus on a diverse product mix to attract consumers and to limit competition between vendors.

Of particular importance to the success of NM is the steakhouse. The steakhouse is one of the anchor tenants for the facility. An important facet of the restaurant is the developer is an existing restaurateur in the area and knows the food service market well. An Economic Development Strategy developed by the city of Grayling identified the lack of good food and restaurants as a challenge to the community (Borgstrom). The food hub could easily address this shortage, but pricing will be an important consideration. The region is relatively poor.

It is estimated that the median household income in Grayling is \$35,042 with a per capita income of \$19,236 (Borgstrom). Statewide the median household income is \$49,576 with a per capita income of \$29,547 according to the U.S. Census Bureau. The median household income in Grayling is only 71 percent of the statewide average and per capita income is slightly less than two thirds of the state average. While some vendors can offer premium products that appeal to tourists; others will need to be conscious of value if they are going to be profitable throughout the year. Additionally, access to Wi-Fi will be necessary for the success of the food hub. Consumers now expect Wi-Fi and the classrooms will also need it. Wi-Fi service is included in the business plan.

The organizers of NM believe that 70 percent of the business will be local (defined as within 50 miles of the facility) and 30 percent from outside the region. If this is the case seasonality of demand will be minimized. However, some seasonality of demand should be expected with demand being strongest from May through October and less demand in the other months of the year. As a result the Market needs to have a relatively strong cash position heading into the late fall through winter and early spring months.

Overall Northern Market project is feasible from a marketing perspective. The fact that so many vendors are already committed is indicative of the potential demand for such a facility. This includes both retail and wholesale operations as well as existing farmers who currently use the farmers market. One issue that is not fully considered is the potential demand for the kitchens; this is one of the reasons why the authors of this report believe that this project should be completed in two stages: this first being the farmers market and the retail and wholesale space; and the second being the kitchens.

## **II. Technical Feasibility**

It is projected that the project will cost \$7.43 million dollars; of which \$6.77 million is for the food hub, and another \$970,000 is for tenant improvements. The facility will include retail space, classrooms, office space, commercial kitchens and storage and freezer space. Additionally, bathrooms that will accommodate tourists exiting I-75 will be constructed. It is hoped that the restrooms will attract travelers who are looking for a break in their trip.

One way to increase the demand from tourists is to offer parking for RVs and busses; the parking lot will provide spaces for these vehicles. This factor as well as the retailer that will offer products geared toward the owners of RVs and busses should appeal to vacationers.

Much of the architectural work has already been done. Proponents of Northern Market are also working with existing farmers markets and food hubs such as the Flint Farmers Market and Eastern Market located in Detroit. While the fact that a general contractor has not been identified is a concern this type of facility is well understood and does not involve an untested technology. This project is feasible from a technical perspective.

### III. Financial Feasibility

It is anticipated that the project will cost \$7,743,000. This includes capital costs, engineering costs and other related costs. These project costs are outlined in

Table 6.

**Table 6: Projected Construction Costs of the Project**

Item	Cost
Capital Costs	
Construction	\$4,100,000
Tenant Improvements	970,000
Personal Property	500,000
Contingency Construction	210,000
Lease Holder Improvements	1,217,000
<b>Total Capital Costs</b>	<b>6,997,000</b>
<b>Other Costs</b>	
Architectural Engineering	275,000
Civil Engineering	15,000
Consultants	135,000
Environmental Remediation	150,000
Miscellaneous	2,500
Legal/Accounting	150,000
Licenses/Permits	16,000
Maintenance	2,500
<b>Total Other Costs</b>	<b>746,000</b>
<b>Total Costs</b>	<b>7,743,000</b>
<b>Total Costs less Tenant Improvements</b>	<b>6,773,000</b>

For the most part the cost estimates appear to be reasonable. The legal and accounting estimates may be somewhat high as well as the consultant estimate. Conversely, the figure for contingency construction may be somewhat understated.

Table 7 outlines the five year income statements for Northern Market. For the most part these figures come from Grayling's own analysis on their first year of operation.

**Table 7: Northern Market Five Year Income Statement**

	2019	2020	2021	2022	2023
<b>Income</b>					
Operating Grants	\$236,200	250,500	251,900	254,300	256,500
Sponsorships	\$65,000	65,000	72,000	70,000	65,000
Event and Community Room Rentals	117,500	119,850	122,247	124,691	127,185
Rental Income	706,500	708,000	778,800	856,700	987,200
Reimbursement for Services	229,000	242,700	250,000	258,000	268,300
<b>Total Revenues</b>	<b>\$1,354,200</b>	<b>1,386,050</b>	<b>1,474,947</b>	<b>1,563,691</b>	<b>1,704,185</b>
<b>Expenses</b>					
Interest	168,920	164,280	159,491	154,511	149,331
Advertising	95,000	96,900	98,838	100,815	102,831
Event Expenses	59,200	60,384	61,592	62,825	64,082
Building Expenses	226,100	228,200	232,764	237,419	242,167
Professional Fees	12,000	12,240	12,485	12,735	12,990
Depreciation	139,940	139,940	139,940	139,940	139,940
Labor Expenses	340,000	346,800	353,374	360,441	367,650
Utilities	190,000	193,800	197,676	201,630	205,663
Other Expenses	95,000	96,900	98,838	100,815	102,831
<b>Total Expenses</b>	<b>1,326,160</b>	<b>1,339,444</b>	<b>1,354,998</b>	<b>1,371,131</b>	<b>1,387,485</b>
<b>Net Income</b>	<b>\$28,040</b>	<b>46,606</b>	<b>119,949</b>	<b>192,560</b>	<b>316,700</b>
<b>Net Income Less Grants</b>	<b>(\$208,160)</b>	<b>(203,894)</b>	<b>(131,951)</b>	<b>(61,740)</b>	<b>60,200</b>
<b>Net Income Less Grants and Payments on the Principal</b>	<b>(\$324,240)</b>	<b>(323,614)</b>	<b>(256,460)</b>	<b>(191,224)</b>	<b>(74,469)</b>
<b>Cash Flow Less Grants</b>	<b>(\$184,300)</b>	<b>(183,674)</b>	<b>(116,520)</b>	<b>(51,284)</b>	<b>65,471</b>

Rental income is expected to increase fairly dramatically in years 3 through 5 which improves the net income. Most other expense and income items are increased by 2 percent a year to adjust for inflation. The interest rate on the loan is assumed to be four percent. Net income varies from \$28,040 in 2019 to \$316,700 in 2023. These should be considered upper estimates. Net income could be lower. Depreciation is based on a 50 year life of the improvements with no salvage value.

The success of the project as outlined is totally dependent on grants. Approximately 15 to 17 percent of the revenue for the project is derived from grants. If there is a shortfall in grant revenue, net income and annual cash flow will be negative. One way to address this concern is to scale the project back; if the kitchens are removed from the project, the loan amount would be reduced, which would make debt service easier, and reduce labor expenses by approximately \$80,000 to \$100,000. This would dramatically enhance the likelihood of profitability.

The balance sheet is shown in Table 8. As is the case with the income statement, grants are important for the success of Northern Market as it's currently configured.

**Table 8: Northern Market Five Year Balance Sheet**

	2019	2020	2021	2022	2023
<b>Assets</b>					
Cash	\$167,980	354,526	614,415	946,915	1,403,355
Cash Without Grants	(68,220)	(132,174)	(124,185)	(45,985)	154,155
Building	6,997,000	6,997,000	6,997,000	6,997,000	6,997,000
Less Accumulated Depreciation	(139,940)	(279,880)	(419,820)	(559,760)	(699,700)
Net Building	6,857,060	6,717,120	6,577,180	6,437,240	6,297,300
Total Assets	\$7,025,040	7,071,646	7,191,595	7,384,155	7,700,655
Total Assets Without Grants	\$6,788,840	6,584,946	6,452,995	6,391,255	6,451,455
<b>Liabilities</b>					
Loan	\$4,107,920	3,988,237	3,863,766	3,734,327	3,599,700
<b>Equity</b>	<b>\$2,917,120</b>	<b>3,083,409</b>	<b>3,327,829</b>	<b>3,649,828</b>	<b>4,100,955</b>
<b>Equity Without Grants</b>	<b>\$2,680,920</b>	<b>2,596,709</b>	<b>2,589,229</b>	<b>2,656,928</b>	<b>2,851,755</b>

One issue is the relatively high debt to asset ratio. Even in the best case scenario, the debt to asset ratio is .58 after year one and falls to .47 at the end of 2023. Good cash balances can be used to accelerate the retirement of debt provided there is sufficient grant income. The lack of a positive cash flow without grants is shown in the negative cash balances in the first four years of operation. In both cases it is suggested that Northern Market start with a strong cash position, because during the first few months of operation cash outflows will likely exceed income. A strong cash position could also assist in covering any seasonal fluctuations in demand.

Overall the project is feasible from a financial perspective, but the project as it is currently configured carries a great deal of risk. The ability to successfully obtain grants is critical to success. However, the probability of success could be substantially improved if the project was scaled back to reduce costs. Eliminating the kitchens, at least in the short term would improve the potential for success.

## VI. Management Feasibility

The manager, Therese Kaiser has 21 years of experience in bank management and is in the process of being trained to manage the kitchen. Grayling is also working with the Flint Farmers Market and Eastern Market. This gives Grayling to access to people who have experience operating a farmers market. Grayling has been operating a farmers market since 2007 which gives them experience in operating an agri-food related business.

However, a food hub will dramatically alter the size of scope of the business, more employees with a wide range of skills will be required. Oversight of the facility will be a board of directors. An possible organizational chart for Northern Market is shown in Figure 3.

**Figure 3: Organizational Chart for Northern Market**

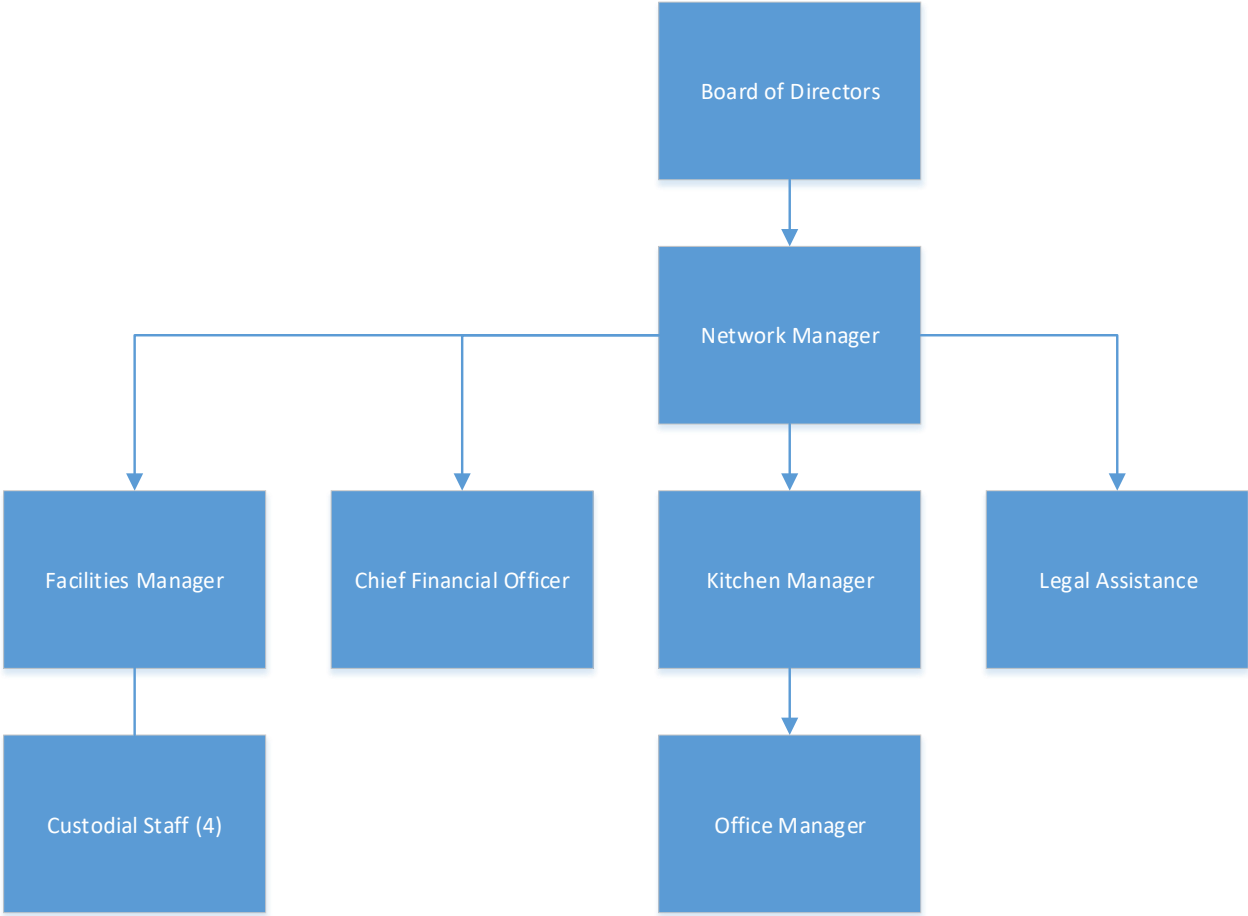




Figure 3 shows that this facility will be a rather complicated organization. This is due to the wide range of activities that are expected to take place at NM. The following are some of the job responsibilities required by each of the positions.

- **Board of Directors:** The primary responsibility of the Board is to set the overall goals and strategy of Northern Market. Members should also be able to understand the financial performance of the market. Ultimate hiring and firing authority rests with the Board, especially for the Network and Kitchen Manager positions.
- **Network Manager:** The primary responsibility of the Network Manager is to manage the staff. Another critical role will be to recruit farmers and other vendors to Northern Market. The Network Manager also needs to work with the Kitchen Manager to recruit clients to the kitchen. The Network Manager needs to obtain grants and oversee grant writers.
- **Kitchen Manager:** The primary responsibility of the Kitchen Manager is to schedule the kitchen and assist the Network Manager in recruiting clients to the kitchen. A particularly important job requirement is to ensure the kitchen and all clients are in compliance with all food regulations. Therese Kaiser will assume this role and is currently in the process of obtaining the necessary training to carry out these activities.
- **Chief Financial Officer:** The primary role of the Chief Financial Officer is to generate financial statements, to make sure bills are paid on time and to ensure that NM is paid by its users in a timely manner.
- **Legal Assistant:** The primary role of the legal assistant is to ensure that contracts are complete and signed in a timely manner. Additionally, the Legal Assistant needs to make sure the facility is in compliance with regulations involving food safety and a safe working environment. This should not be a full time job. Northern Market should be able to work with a law firm to meet these requirements.
- **Office Manager:** The primary responsibility of the Office Manager is to assist the management team in their endeavors. Assisting the Kitchen Manager in scheduling will be important as will assisting the Chief Financial Officer in billing and payments is another job responsibility. In many cases the Office Manager is the first person a potential tenant or client meets; interpersonal skills will be important. This is a critical position.
- **Building Manager:** The primary responsibility of the Building Manager is to maintain the building including lighting, plumbing and overall cleanliness of the building including the kitchens. The building manger will also assist the Kitchen Manager in making sure the kitchens can pass inspections. The Building Manager may also have to work with tenants to make sure their businesses can pass health inspections. The Building Manager will supervise the custodial staff, and schedule and approve major building repairs in consultation with the Network Manager.
- **Custodial Staff:** The custodians will be responsible for the overall cleanliness of the building. Particular emphasis will be placed on public areas such as the food court and the restrooms.

While this provides a good organizational structure and overview of the job requirements, other than the Kitchen Manager, these positions remained unfilled. This is understandable given the fact that construction on Northern Market has yet to begin. Nonetheless, having a staff in place before the facility opens is of critical importance.

## VII. Summary

We view this Northern Market food hub project as a win for the community and the surrounding area of Grayling and hope it comes to fruition. On balance the planned food hub has considerably more positive than negative prospects. However, as with most of these type of projects, the structuring of the initial financial package/support is usually the linchpin that will lay the foundation for long-lasting success. Below is a summary of the salient factors regarding the feasibility of the food hub.

- The City of Grayling has sighted the food hub on an ideal location. The facility is located on the I-75 BL with the highest volume of traffic in the city and excellent parking and patron access. Since 1994, the I-75 BL has seen steady growth in traffic volume and turned much higher in 2016 (the latest year for MDOT data). We don't foresee this trend changing anytime soon and it bodes well for potential foot traffic at the market.
- There is noteworthy vendor interest for the food hub. Preliminary due diligence by the city has identified numerous key anchor tenants which would provide a steady stream of rental income for the facility. These prospective tenants appear to have significant entrepreneurial capacity for providing products for the facility. There is, however, a concern regarding the ability to access enough locally grown traditional fruits and vegetables that are typically associated with food hubs (farmer's markets). The good news is that it takes a small quantity of acreage to grow a large volume of produce and there are a number of farmers in the region that are interested in the operation.
- The property is a brownfield development site. This will save the city significant up-front costs. The existing facility is quite large and will give them substantial flexibility to meet various food hub requirements.
- We do have some reservations concerning the inclusion of the incubator kitchen(s). In order to keep the startup costs down they should consider this as a phase II to the project. The absence of the incubator kitchen will not hinder the core success of the market. As the market becomes more financially viable, they should then fund the kitchen by using internally generated profits or seek external funds in the future.
- There will certainly be an ebb and flow to the patronage of the market due to the impact of vacationers heading north and the availability of locally grown produce. The peak season of operation will be from the months of May through September. The seasonality of business will

impact the sales and cash flow of the operation which will require the management team to plan accordingly financially and look for opportunities to attract the local's in the off-season.

- Crawford County will need to rely on large capital expenditure tranches of funding for the plan to be successful. All of the funding pieces will need to come together to execute the county's vision for the Northern Market food hub.

## VIII. Qualifications of the Analysts

This study was conducted by Professors William Knudson and John Whims

Dr. Knudson is a member of the MSU Product Center Food-Ag-Bio. Professor Knudson has been employed by the Product Center since September of 2003. During that time, he has conducted several feasibility studies in accordance with U.S. Department of Agriculture Rural Development guidelines. He has done a feasibility study on a winery currently beginning operations in Peninsula Township. He has also done a feasibility study on a greenhouse that uses waste natural gas. In the alternative energy arena, he has done a feasibility study on a biodiesel facility and an alternative crop for a biodiesel facility. Recently he completed a study on the local meat system in the greater Grand Rapids region.

Prior to his position at MSU, Knudson was a Policy Advisor covering agriculture, higher education and appropriations for the Senate Majority Policy office. He has a PhD in Agricultural Economics from Michigan State University and a BA in Economics from California State University Fresno.

Dr. Whims is an economist with over 25 years of experience in the area of strategic planning and business development in both the private and public sectors. He has been a consultant to Fortune 500 food and agriculture businesses, investment firms, and numerous federal, state and local government agencies. His work has involved some of the following activities: domestic and international economic development consulting regarding the evaluation of food value chains (marketing practices and efficiencies) analyses of agricultural and bioenergy markets (factors of supply, demand, and price relationships/forecasts); financial feasibility studies; macroeconomic and demographic analyses; the design and implementation of survey instruments; the development of risk management hedge programs and the utilization of input-output models to ascertain the impact of investment projects. Dr. Whims is currently a faculty member in the Department of Agricultural, Food and Resource Economics at Michigan State University (MSU) in East Lansing, Michigan and a member of the Product Center Food-Ag-Bio. He holds a Ph.D. from Michigan State University in Agricultural Economics and an MBA from Central Michigan University.

## IX. References

Borgstrom, J. *City of Grayling Economic Development Strategy*, March 2017.