



COMMONWEALTH of VIRGINIA

Office of the Governor

Robert F. McDonnell
Governor

July 31, 2013

The Honorable Walter A. Stosch
Chairman
Senate Finance Committee
Senate of Virginia
4551 Cox Road, Suite 110
Innsbrook Centre
Glen Allen, Virginia 23060

The Honorable Harry R. Purkey
Chairman
House Finance Committee
House of Delegates
2352 Leeward Shore Drive
Virginia Beach, Virginia 23451

The Honorable Lacey E. Putney
Chairman
House Appropriations Committee
House of Delegates
P.O. Box 127
Bedford, Virginia 24523

Dear Messrs. Chairmen:

I am writing to update you on the recent activities with respect to the Governor's Agriculture and Forestry Industries Development Fund (AFID) during the preceding six-month period as required by §3.2-309 of the Code of Virginia.

The General Assembly created the AFID program during the 2012 session, appropriating \$2 million to it over the biennium. Upon its passage, the Secretariat of Agriculture and Forestry and staff from the Virginia Department of Agriculture and Consumer Services (VDACS) developed guidelines and procedures for administering this new program, which were released on August 23, 2012. Through June 30, 2013, five AFID Facility Grants have been awarded to localities supporting a variety of agriculture and forestry based economic development projects. Two of those localities have entered into

the required Performance Agreements and requested disbursements from the fund. The secretariat and VDACS continue to receive a tremendous number of inquiries and expressions of interest into the program. In addition to the five awarded projects, there are several others in various stages of consideration by the secretariat with the opportunity for multiple announcements to be made during the next six months.

During the first half of calendar year 2013, a total of \$375,000 was committed from AFID to assist four new and expanding projects in the state. Summaries of the projects are listed below:

Announced AFID Facility Grants for the period January – June, 2013

Greencore USA. (announced March 2013) Expansion of sandwich and packaged food production operation.	
Location	Stafford County
Grant amount committed from AFID Other funds committed by the Commonwealth How these funds will be used	<ul style="list-style-type: none"> • \$75,000 AFID Funds • \$154,000 Virginia Jobs Investment Program (VJIP) • AFID funds used for training, site improvements or other activities, as permitted by Section 3.2-304(C) of the Virginia Code.
Other funds from the political subdivision and their use	• \$75,000 Stafford County – cash; to be utilized for site improvements
New jobs	Three-Hunderd and Fifty (350)
New investment	\$5.75 million
Minimum purchase Virginia-grown products	40,200 lbs of produce over three years (13,400 lbs annually) – primarily cabbage and peppers
Projected impact on agricultural and forestal producers	The requirements of the Performance Agreement provide an expanded sales opportunity for Virginia vegetable growers in the immediate term. Over the long term, Greencore has committed to working with VDACS and their customers to source additional Virginia produce in the future for new product lines, such as salads, which could lead to even greater impacts for agricultural producers from this project.
Timetable for project completion	Expansion to begin in 2013 and be completed by 2016
Prevailing average wage in locality	\$46,646/year
Average wage of project	\$29,000/year
Status	Performance Agreement completed, \$25,000 issued to Stafford County Economic Development Authority, balance to be requested once annual purchase target met, per the Performance Agreement.

Red Sun Farms (Agricola El Rosal) - (announced March 2013) New, high-technology, climate controlled greenhouse operation on 45 acres – this is the first American location for this major Mexican greenhouse producer.	
Location	Pulaski County
Grant amount committed from AFID Other funds committed by the Commonwealth	<ul style="list-style-type: none"> • \$100,000 AFID Funds • \$350,000 grant from the Governor's Opportunity Fund (GOF)

How these funds will be used	<ul style="list-style-type: none"> • \$113,600 Virginia Jobs Investment Program (VJIP) • \$200,000 - Enterprise Zone Real Property Investment Grant • \$38,400 - Enterprise Zone Job Creation Grants • AFID funds used for site improvements, as permitted by Section 3.2-304(C) of the Virginia Code.
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> • \$2,000,000 for site preparation • 100 acres of land (valued at \$20,000 per acre) for a total value of \$2,000,000
New jobs	Two-Hundred Five (205)
New investment	\$30 million
Minimum purchase Virginia-grown products	TBD (numbers will be based on total sales from facility – final numbers forthcoming)
Projected impact on agricultural and forestal producers	Project brings a new, large-scale producer to an area of the Commonwealth not traditionally known for this crop. The presence of such a large producer of tomatoes and peppers will attract packaging, shipping and related companies that will benefit the agriculture industry in the region and state.
Timetable for project completion	Project to begin in 2013 and be completed by 2018
Prevailing average wage in locality	\$34,758/year
Average wage of project	\$26,583/year
Status	Necessary project documents in development

Shamrock Farms - (announced March 2013) New, state-of-the-art dairy manufacturing facility producing extended shelf life (ESL) products.	
Location	Augusta County
Grant amount committed from AFID Other funds committed by the Commonwealth How these funds will be used	<ul style="list-style-type: none"> • \$50,000 AFID Funds • \$250,000 grant from the Governor's Opportunity Fund (GOF) • \$650,000 (up to) - Economic Development Access Funds • \$45,000 - Virginia Jobs Investment Program (VJIP) – cash • \$50,000 - VJIP – cost avoidance • \$10,000 (up to) – Major Business Facility Jobs Tax Credit • AFID funds used for site improvements, as permitted by Section 3.2-304(C) of the Virginia Code.
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> • \$800,000 cash to be used for site improvements • 40 acres of land (valued at \$32,000 per acre) for a total value of \$1,280,000 • \$45,000 matching VJIP dollars
New jobs	Sixty (60)
New investment	\$50 million
Minimum purchase Virginia-grown products	TBD – at least 30% (awaiting company's completion of negotiation with milk supplier)
Projected impact on agricultural and forestal producers	The facility will be a significant new purchaser of milk, at least 30% (and likely much more) of which will come from Virginia dairies
Timetable for project completion	Project to begin in 2013 and be completed by 2014
Prevailing average wage in locality	\$38,360/year
Average wage of project	\$39,553/year
Status	Necessary project documents in development

Franklin Lumber, LLC - (announced June 2013) Restart of the former Franklin International Paper (IP) 60 million board feet pine sawmill facility in Isle of Wight County	
Location	Isle of Wight County
Grant amount committed from AFID Other funds committed by the Commonwealth How these funds will be used	<ul style="list-style-type: none"> • \$150,000 AFID Funds • \$71,000 Virginia Jobs Investment Program (VJIP) • \$260,000 - Enterprise Zone Job Creation Grants • AFID funds to be spent on construction and installation costs for new building to house gas-fired boiler, as permitted by Section 3.2-304(C) of the Virginia Code.
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> • \$74,900 - Local enterprise zone 25% machinery & tools discount • \$10,000 - Local enterprise zone jobs grant • \$91,000 - Local Economic Development Incentive Grant
New jobs	Seventy-two (72)
New investment	\$14.8 million
Minimum purchase Virginia-grown products	1.45 million tons of logs purchased over five years. A minimum of 40% (580,000 tons) of the logs will come from Virginia.
Projected impact on agricultural and forestal producers	Project will have significant positive impact on loggers (who are estimated to earn \$5.7M annually from this facility) and forest landowners (annual payments to landowners are estimated at \$2.3M) in an area hard hit by the closure of the IP facility.
Timetable for project completion	Project to begin in 2013 and be completed by 2018
Prevailing average wage in locality	\$38,523/year
Average wage of project	\$42,500/year
Status	Final application letters complete, performance agreement under development

There is currently one previously announced AFID project underway, its status is reported below.

Ongoing AFID Facility Grant Projects

Homestead Creamery, Inc. (announced December 2012) Manufacturer of dairy-related products using locally sourced milk to make a variety of products, including glass-bottled milk, ice cream, flavored milk and novelties.	
Location	Franklin County, Town of Burnt Chimney
Grant amount committed from AFID Other funds committed by the Commonwealth How these funds will be used	<ul style="list-style-type: none"> • \$60,000 AFID Funds • \$12,240 Virginia Jobs Investment Program (VJIP) • AFID funds used for building expansion and renovations, VJIP used for worker training
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> • \$30,000 Franklin County – cash • \$45,000 Tobacco Region Opportunity Fund • Funds for building expansion and renovations
New jobs	Twenty (20)
New investment	\$1.1 million

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Minimum purchase Virginia-grown products	\$1,485,669 (~75% milk, ~25% in cream, eggs and produce)
Projected impact on agricultural and forestal producers	Impact on Virginia agriculture is especially strong. Over 45 Virginia producers will benefit directly. Homestead Creamery promotes other Virginia products through its store, home deliveries & other activities.
Timetable for project completion	Expansion to begin in 2013 and be completed by 2016
Prevailing average wage in locality	\$29,665/year
Average wage of project	\$13.95/hr or \$29,016/year
Status	Performance Agreement completed, full funds issued to County

AFID Facility Grant Total Economic Development Impact


As of June 30, 2013, there are a total of 5 announced AFID Facility Grant projects totaling \$435,000 in grant funds committed or expended. These 5 projects account for 707 new jobs created and \$101.65 million in new capital investments.

AFID Planning Grants Program

As part of the budget language funding the AFID program, \$250,000 in each year of the biennium was set-aside to encourage localities to think strategically about how they can better support and integrate agriculture and forestry-based industries into their community's overall economic development efforts. The AFID Planning Grants Program was developed with input from industry stakeholders, as well as the Virginia Association of Counties and the Virginia Department of Housing and Community Development. Applications for the first round of this new program were due March 1, 2013, with the first planning grants awarded in May 2013. AFID Planning Grants in the amount of \$249,000 were awarded to eleven projects covering thirty-one localities. Summaries of each project can be found in the attached press release.

A second round of AFID Planning Grants was announced July 10, with applications due September 16, and awards expected to be made in October.

Sincerely,



Robert F. McDonnell

Enclosures

cc: The Honorable Todd P. Haymore, Secretary of Agriculture and Forestry
Matthew J. Lohr, Commissioner, Virginia Department of Agriculture and Consumer Services
Carl Garrison, State Forester, Virginia Department of Forestry
Clyde Cristman, Senate Finance Committee Staff
Anne Oman, House Appropriations Committee Staff

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GOVERNOR OF VIRGINIA

Bob McDonnell



Governor McDonnell Announces Agriculture and Forestry Industries Development Fund Planning Grant Recipients

– \$249,000 Awarded to Eleven Projects Covering Thirty-one Localities to Strengthen Local, Regional Agribusiness Planning and Development –

Initiative Part of Governor McDonnell's Jobs-Creation and Economic Development Agenda During 2012 General Assembly Session

RICHMOND - Governor Bob McDonnell announced today the recipients of fiscal year 2013 planning grants from the Governor's Agriculture & Forestry Industries Development Fund (AFID). Eleven projects covering more than thirty localities have been awarded a total of \$249,000 to support the growth of agricultural and forestry projects in the Commonwealth. The AFID planning grants program was developed to encourage local governments and regional organizations to analyze and plan strategically about how they can support and integrate agriculture and forestry-based industries into their communities' overall economic development efforts.

A listing and brief summary of the qualifying projects and their locations is included below.

Speaking about the AFID planning grants awards, Governor McDonnell said, "We've had great success incorporating two of the Commonwealth's largest industries, agriculture and forestry, and their significant overall impact on our economy into our economic development agenda. That strategic decision has been justified many times over. Exports have reached new record highs during the last three years and we've successfully utilized AFID economic development grants to attract new agribusinesses to Virginia and to help existing operations expand. Creating a program that incentivizes communities to plan for how they can best grow and support agricultural and forestry industries in their business community is a natural continuation of a strategy that is proven to benefit Virginians and create jobs."

Governor McDonnell continued, "Creating opportunities and the right environment for businesses to succeed is the approach we've taken over the course of my administration to keep the economic recovery going in Virginia. During my time as governor, unemployment has dropped from 7.2% to 5.3% because of our commitment to conservative principles and smart, targeted investments that lead to job creation. The AFID is just one more example of our efforts at work. Our General Assembly partners in this initiative, leaders such as Delegates Steve Landes, Kirk Cox, and Ed Scott and Senators Bill Stanley, John Watkins and Emmett Hanger, deserve many thanks for their work to make funds available for important local economic development efforts such as the AFID planning grant program."

The communities and regions receiving AFID planning grants will match each dollar awarded with a dollar of local funds, including certain types of allowed in-kind contributions. The program also requires the active participation of a board, committee, or working group representing the relevant agriculture and forestry interests in the locality.

"Flexibility was given to applicants to pursue the type of project that made the most sense for their region or locality, whether it was something as broad as creating a strategic plan for agriculture and forestry development, or as specific as construction of a commercial kitchen facility," said Secretary of Agriculture and Forestry Todd Haymore. "It was extremely important that projects demonstrate involvement from the local agriculture and forestry community, giving an indication that it was the producers themselves who helped identify and support economic development opportunities that were of true benefit to their industries. I am hopeful that the successful implementation of these planning grants will lead to future awards of some of our larger AFID facility grants to these same localities that will have benefitted from their dedication to planning for agriculture and forestry."

AFID planning grant program guidelines were announced on November 27, 2012, with applications for FY 2013 due March 1, 2013. Applicants demonstrating a clear need, a solution to be undertaken, and strong support from local government and the agriculture and forestry community received the highest marks during the review process. The next round of AFID Planning Grants will be fall 2013. Localities interested in applying may visit <http://vdacs.virginia.gov/agribusiness/planning.shtml> for more information.

Agriculture and forestry are Virginia's largest industries, with a combined economic impact of \$79 billion annually: \$55 billion from agriculture and \$24 billion from forestry. The industries also provide approximately 500,000 jobs in the Commonwealth according to the Weldon Cooper for Public Service at the University of Virginia.

Governor's Agricultural and Forestry Industries' Fiscal Year 2013

Planning Grant Recipients and Projects

Project Title: New Markets for Agriculture Producers in Southwest Virginia through Online Marketing and a Local Food Campaign

Applicant: Town of Abingdon

Award: \$20,000

Summary: Abingdon Convention and Visitors Bureau and Appalachian Sustainable Development will work together to develop new, year-round markets for locally produced agricultural products by creating and marketing an online order system to facilitate the sales of local foods to restaurants and other institutions. The effort will also further develop *Rooted in Appalachia* website and mobile app to promote local foods and restaurants serving them.

Project Title: Fields of Gold - The Next Season of Agritourism in the Shenandoah Valley
Applicant: Central Shenandoah PDC (CSPDC)

Award: \$35,000

Summary: Fields of Gold is a regional agritourism marketing initiative led by the CSPDC in the Shenandoah Valley. They recently completed a year-long planning process, funded by the Department of Housing and Community Development (DHCD), and have received significant support and buy-in from their member localities, as well as awards for the effort. This grant is to develop and market a robust website that will include an interactive map of agritourism sites, an events calendar and farm-to-restaurant guide. The marketing and build-out of the website were identified as key deliverables in their strategic marketing plan.

Project Title: Fauquier County Impact of Agriculture Study
Applicant: Fauquier County

Award: \$6,000

Summary: Funds will be used to conduct a study of the needs of the farming community in Fauquier and to off-set the costs of having UVA's Weldon Cooper Center conduct an "Impact of Agriculture" study to document the overall economic contribution of agriculture to Fauquier. As part of the study, a working group of county farmers, representing all segments of the local farming community, will work with the County's Agricultural Advisory Committee and the Fauquier County Farm Bureau to conduct, review and analyze results of a farmer survey. Studies will help the County determine what changes to the zoning ordinance might be necessary to assist the agricultural community.

Project Title: Planning for Agritourism and Agribusiness Benefits in Giles, Montgomery and Pulaski Counties
Applicant: Giles County - lead applicant, Montgomery and Pulaski Counties

Award: \$35,000

Summary: Project will develop a strategic plan for agricultural economic development in the tri-county region. It will include interviews/surveys of agritourism operations and agribusinesses, an inventory of these businesses, policy recommendations, and an economic impact study.

Project Title: Meat Processing Facility for Southside Virginia

Applicant: Halifax County

Award: \$12,500

Summary: Grant funds will help pay for a professional, third-party feasibility study of a USDA inspected meat processing facility in Halifax county to serve Southside Virginia.

Project Title: The Highland Center Local Food Incubator

Applicant: Highland County

Award: \$20,000

Summary: Grant funds will help pay for the renovation and upgrading of a commercial kitchen at the Highland Center in Monticello. Specifically, they will be used to create a temperature-controlled meat processing area in the kitchen that will allow for the production of value-added meat products under USDA inspection. This project is the culmination of years of effort to grow Highland County's economy by building on its agricultural assets, primarily livestock. It will complement the County's recently completed USDA inspected slaughter facility, by giving producers the opportunity to add further value to their meat.

Project Title: James City County Rural Economic Development Strategic Plan

Applicant: James City County

Award: \$20,000

Summary: The county boasts many agricultural and forestry assets, and has undertaken a number of individual efforts to promote them, but never has the County taken a comprehensive look at how to protect, support and leverage these assets. The need is particularly important for the County, with development pressures coming from its east (Williamsburg/Hampton Roads) and west (exurban Richmond). This effort is just the type of project the AFID Planning Grants program was designed to engender. It is being led by their Rural Economic Development Committee, which includes key local government personnel, local business leaders and agricultural producers). This project could be used as a model for other jurisdictions under development pressure.

Project Title: Feasibility Study for Barging Logs across the Chesapeake Bay

Applicant: Northern Neck Planning District

Award: \$35,000

Summary: Funds are part of a proposed \$100,000 feasibility study to determine the economic efficiency of utilizing barge transport to bring logs timbered on the Eastern Shore for milling in Kinsale. Study will be conducted in two phases with Phase I determining the basic economic feasibility of the project, especially as compared to extending their current wood basket by truck. Phase II will develop a detailed proposal for moving forward with the project. The study seeks to address the timber availability problem faced by sawmills on the Northern Neck and lack of a robust transportation infrastructure to otherwise transport timber into the area.

Project Title: Southside Food Enterprise Center for Production, Marketing, and Education of Value-Added Food Processing Serving Virginia Farm-Based Producers

Applicant: Prince Edward County

Award: \$20,000

Summary: Since 2009, Prince Edward County has been working to provide local food processing options for area producers, primarily through its existing community cannery facility. They have completed a feasibility study on developing a new shared-use kitchen and food-business incubator. AFID Planning Grant funds will be used to develop an operational plan for this facility. A separate application to the Tobacco Commission for funding for facility construction is pending.

Project Title: Vision for Agriculture and Forestry in Region 2000, 2013-14 Strategic Plan

Applicant: Virginia's Region 2000 Local Government Council; includes Amherst, Appomattox, Bedford and Campbell Counties and Lynchburg City

Award: \$35,000

Summary: Funds will be used to bring in a consultant to work with the organization and local partners to develop a regional strategic plan for the agriculture and forestry components of the region's economy. The study will include an inventory of regional agriculture and silviculture assets, SWOT analysis and will seek to develop a plan endorsed by member jurisdictions.

Project Title: Staunton Feasibility Study of a Commercial and Shared-Use Kitchen

Applicant: City of Staunton

Award: \$10,500

Summary: Funds will be used to help analyze the feasibility of a certified, commercial, shared-use kitchen and to research and create a replicable business model. The development of a commercial kitchen was a recommendation from a recent

Community Foods Planning Project. The Project's key partners, the City of Staunton and the Staunton Creative Community Fund, have successfully undertaken other local food development projects and are developing a suite of services to assist area food entrepreneurs from start-up through launch. This study will be useful to other communities considering a commercial kitchen as well.

About the Agriculture and Forestry Industries Development Fund

The creation of the AFID was part of Governor McDonnell's jobs-creation and economic development agenda during the 2012 session of the General Assembly. Funded at \$1 million in each year of the biennium, the AFID is broken into two categories with \$750,000 going to large grants to assist local efforts in expanding current or attracting new agriculture and forestry processing facilities using Virginia-grown products (<http://www.vdacs.virginia.gov/agribusiness/afid.shtml>) and \$250,000 dedicated to small grants to assist localities in improving local economic development efforts relating to agribusiness (<http://www.vdacs.virginia.gov/agribusiness/planning.shtml>).

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