



COMMONWEALTH of VIRGINIA

Office of the Governor

Robert F. McDonnell
Governor

January 29, 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 at my request during the 2012 session, funding it at \$2 million over the biennium. Immediately upon its passage, the Secretariat of Agriculture and Forestry and staff from the Virginia Department of Agriculture and Consumer Services (VDACS) began to develop draft program guidelines and procedures for administering this new program. The development of these guidelines and procedures was based on the legislation and informed by meetings with industry stakeholders, legislators and Senate Finance and House Appropriations committee staff

The Honorable Walter A. Stosch
The Honorable Harry R. Purkey
The Honorable Lacey E. Putney
January 29, 2013
Page 2

that the secretariat held in late 2011 and early 2012 to gather ideas on how to promote economic development within the agriculture and forestry sectors. Stakeholders included the Virginia Farm Bureau, Virginia Agribusiness Council, Virginia Forest Products Association, Virginia Forestry Association, individual industry participants, local economic development officials, the Virginia Association of Counties and the Virginia Municipal League.

Over the course of the summer, the secretariat held two additional meetings with the stakeholder group to review the proposed program documents and receive comment. The revised documents were also shared with staff at the Virginia Economic Development Partnership, who provided valuable feedback in terms of program implementation and guideline development. AFID program guidelines and application materials were released in their final form on August 23, 2012. Since that time, the secretariat and VDACS have received a tremendous number of inquiries and expressions of enthusiasm about the program from localities and private sector interests. The first AFID grant award announcement was made on December 17, 2012, and involved Homestead Creamery in Franklin County. Additional projects are in various stages of consideration by the program with the opportunity for multiple announcements to be made during the next six months, depending on economic conditions and project specifications.

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 including the Virginia Association of Counties and the Virginia Department of Housing and Community Development. The first round of applications for this new program is due March 1, 2013, with the first planning grants to be awarded in April 2013. The program guidelines are enclosed, with details on the awards made under this program to be included in the next semiannual report.

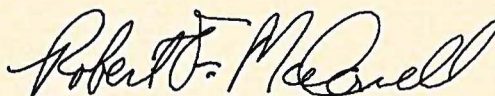
For the second half of calendar year 2012, a total of \$60,000 was committed from AFID to assist one project expanding in the state. A summary of this project is listed below:

The Honorable Walter A. Stosch
 The Honorable Harry R. Purkey
 The Honorable Lacey E. Putney
 January 29, 2013
 Page 3

| | |
|---|--|
| Homestead Creamery, Inc. 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 |
| 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 |

The actual disbursement from the AFID Fund will be made upon the execution of a performance agreement between Franklin County and Homestead Creamery.

Sincerely,



Robert F. McDonnell

RFM:kme

Enclosures

cc: The Honorable Todd P. Haymore, Secretary of Agriculture and Forestry
 Matthew J. Lohr, Commissioner, Virginia Department of Agriculture and Consumer Services
 Robert Vaughn, House Appropriations Committee Staff Director
 Anne Oman, House Appropriations Committee Staff
 Betsey Daley, Senate Finance Committee Staff Director
 Clyde Cristman, Senate Finance Committee Staff