



# COMMONWEALTH of VIRGINIA

## Office of the Governor

Terence R. McAuliffe  
Governor

January 29, 2014

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 R. Lee Ware, Jr.  
Chairman  
House Finance Committee  
House of Delegates

The Honorable S. Chris Jones  
Chairman  
House Appropriations Committee  
House of Delegates

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) program 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 legislative session, funding it at \$2 million 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. These guidelines and procedures were released on August 23, 2012.

Through December 30, 2013, eight AFID Facility Grants have been awarded to localities supporting a variety of agriculture and forestry based economic development projects. Six 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 in the program. In addition to the eight awarded projects, several others are in various stages of consideration by the secretariat, with the opportunity for multiple announcements to be made during the next six months. VDACS is also in the process of developing the annual reporting requirements for each Facility Grant project, and will include these reporting requirements in the six-month report submitted in July 2014.

During the second half of calendar year 2013, a total of \$400,000 was committed from AFID to assist three new and expanding projects in the state. Summaries of these projects are listed below:

**Announced AFID Facility Grant Projects for the Period of July – December 2013**

<b>Dan River Plants</b> - (announced July 2013) Expansion/relocation of Dan River Plants (tissue culture/plant propagation) as it is spun-off from Danville's Institute of Advanced Learning and Research (IALR)	
Location	Pittsylvania County
Grant amount committed from AFID Other funds committed by the Commonwealth How these funds will be used	<ul style="list-style-type: none"> <li>• \$150,000 - AFID - to be spent on site improvements</li> <li>• \$21,600 - Virginia Jobs Investment Program (VJIP)</li> <li>• \$78,000 - Enterprise Zone Job Creation Grants</li> </ul>
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$200,000 - Reduced price sale of 20 acres in industrial park</li> <li>• \$10,000 - Local enterprise zone jobs grant</li> <li>• \$341,000 - Tobacco Commission Funds, previously committed to Pittsylvania County Industrial Development Authority for grading, site prep and running a natural gas line to the site</li> <li>• Local funds used to off-set project costs</li> </ul>
New jobs	27
New investment	\$2.3 million
Minimum purchase of Virginia-grown products	\$7.7 million in sales over three years of tissue-cultured plants produced on-site
Projected impact on agricultural and forestal producers	In addition to the significant plant production jobs and investment, the facility is the first of its kind in Virginia, providing plant propagation services that will be a strong and unique resource for Virginia's nursery industry
Timetable for project completion	Expansion to begin in 2013 and be completed by 2016
Prevailing average wage in locality	\$31,250/year
Average wage of project	\$42,500/year
Status	Performance Agreement completed, funds issued to county

<b>Virginia Produce Company</b> - (announced September 2013) Expansion/relocation of Virginia Produce Company (produce grading, packing and distribution)	
Location	Carroll County
Grant amount committed from AFID Other funds committed by the Commonwealth How these funds will be used	<ul style="list-style-type: none"> <li>• \$200,000 - AFID - to be spent for building improvements</li> <li>• \$20,000 - VJIP</li> <li>• \$20,000 - Enterprise Zone Job Creation Grants</li> <li>• \$100,000 - Enterprise Zone Real Property Improvement Grant</li> </ul>



Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$200,000 - Tobacco Region Opportunity Fund (TROF)</li> <li>• \$1,056,500 - Reduced price sale of county-owned building</li> <li>• \$28,613 - Local enterprise zone benefits</li> <li>• \$23,718 - Grant based machinery and tools taxes paid</li> <li>• \$13,090 - Grant based on real estate taxes paid</li> <li>• \$40,000 - Cash grant from Carroll County</li> <li>• Local funds used to off-set project costs</li> </ul>
New jobs	25 new jobs and 50 full-time equivalents
New investment	\$2.54 million
Minimum purchase Virginia-grown products	\$12 million of Virginia grown produce over three years
Projected impact on agricultural and forestal producers	Significant positive impacts on current and prospective produce growers in the region – both through increased sales of current crops and opportunities for new crops; project also provides positions for disabled individuals in partnership with the Mount Rodgers Industrial and Developmental Center
Timetable for project completion	Expansion to begin 2013 with first stage completed Spring 2014
Prevailing average wage in locality	\$27,109/year
Average wage of project	\$19,261/year
Status	Performance Agreement completed, funds issued to county

<b>Shenandoah Processing, LLC - (announced December 2013)</b>	
Start-up of medium-scale (50,000 birds/day), organic-certified, custom poultry processor	
Location	City of Harrisonburg
Grant amount committed from AFID Other funds committed by the Commonwealth How these funds will be used	<ul style="list-style-type: none"> <li>• \$50,000 - AFID - used for building improvements</li> <li>• \$79,050 - VJIP</li> </ul>
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$50,000 - Cash grant from City of Harrisonburg</li> <li>• Local funds used to off-set project costs</li> </ul>
New jobs	102
New investment	\$2.2 million
Minimum purchase Virginia-grown products	25 million chickens processed over the first three years of operation, valued at approximately \$160M
Projected impact on agricultural and forestal producers	Significant positive impact on Valley poultry growers who will have a new market niche to exploit, a use for old (but viable) poultry houses, and a new processing option for their flocks
Timetable for project completion	Processing birds by early 2014 with additional capacity improvements made through 2016
Prevailing average wage in locality	\$31,250/year
Average wage of project	\$35,498/year
Status	Performance Agreement completed, full funds issued to city

There are currently five previously announced AFID Facility Grant projects underway. The status of each of these projects is reported below.



**Ongoing AFID Facility Grant Projects**

<b>Homestead Creamery, Inc.</b> (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"> <li>• \$60,000 - AFID - used for building expansion and renovations,</li> <li>• \$12,240 – VJIP- used for worker training</li> </ul>
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$30,000 - Franklin County – cash</li> <li>• \$45,000 - Tobacco Region Opportunity Fund</li> <li>• Funds for building expansion and renovations</li> </ul>
New jobs	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 and 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. First annual report due upon development of grant reporting requirements by VDACS

<b>Greencore USA.</b> (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"> <li>• \$75,000 - AFID - Used for training, site improvements or other activities</li> <li>• \$154,000 - VJIP</li> </ul>
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$75,000 - Stafford County – cash</li> <li>• Local funds used to off-set project costs</li> </ul>
New jobs	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	Although the requirements of the Performance Agreement will have only a limited impact on Virginia agriculture producers, Greencore has expressed a willingness to work with VDACS and Greencore’s customers to source additional Virginia produce in the future for new product lines, such as salads, which could lead to a greater positive impact to the agriculture sector 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



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Average wage of project	\$29,000/year
Status	Performance Agreement completed, \$25,000 issued to Stafford County Economic Development Authority, balance to be requested after one year or when the annual purchase target met (the latter of the two), per the Performance Agreement. First annual report due March 1, 2014

<b>Red Sun Farms (Agricola El Rosal) - (announced January 2013)</b> New, high-technology, climate-controlled greenhouses 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 How these funds will be used	<ul style="list-style-type: none"> <li>• \$100,000 - AFID- used for site improvements.</li> <li>• \$350,000 - Governor's Opportunity Fund (GOF)</li> <li>• \$113,600 - VJIP</li> <li>• \$200,000 - Enterprise Zone Real Property Investment Grant</li> <li>• \$38,400 - Enterprise Zone Job Creation Grants</li> </ul>
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$2,000,000 - for site preparation</li> <li>• 100 acres of land (valued at \$20,000 per acre) for a total value of \$2,000,000</li> <li>• Local funds used to off-set project costs</li> </ul>
New jobs	205
New investment	\$21 million
Minimum purchase Virginia-grown products	13,550,400 lbs of tomatoes grown at facility
Projected impact on agricultural and forestal producers	Although the facility will not be directly purchasing products from other producers, 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	Expansion 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	Final application letters submitted, Performance Agreement to be provided to county by February 2014

<b>Shamrock Farms - (announced January 2013)</b> 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"> <li>• \$50,000 - AFID - used for site improvements.</li> <li>• \$250,000 - GOF</li> <li>• \$650,000 (up to) - Economic Development Access Funds</li> <li>• \$45,000 - VJIP - cash</li> <li>• \$50,000 - VJIP - cost avoidance</li> <li>• \$10,000 (up to) - Major Business Facility Jobs Tax Credit</li> </ul>
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$800,000 - cash</li> <li>• 40 acres of land (valued at \$32,000 per acre) for a total value of \$1,280,000</li> </ul>



	<ul style="list-style-type: none"> <li>• \$45,000 - matching VJIP dollars</li> <li>• Local funds used to off-set project costs</li> </ul>
New jobs	60
New investment	\$50 million
Minimum purchase Virginia-grown products	TBD (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
Timetable for project completion	Expansion 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	Initial application letters submitted, applicant developing additional information in support of application pursuant to VDACS' request and in preparation for development of Performance Agreement

<b>Franklin Lumber, LLC - (announced June 2013)</b>	
Restart of the former Franklin International Paper 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"> <li>• \$150,000 - AFID – used for construction and installation costs for new building to house gas-fired boiler</li> <li>• \$71,000 - VJIP</li> <li>• \$260,000 - Enterprise Zone Job Creation Grants</li> </ul>
Other funds from the political subdivision and their use	<ul style="list-style-type: none"> <li>• \$74,900 - Local enterprise zone 25% machinery and tools discount</li> <li>• \$10,000 - Local enterprise zone jobs grant</li> <li>• \$91,000 - Local Economic Development Incentive Grant</li> <li>• Local funds used to off-set project costs</li> </ul>
New jobs	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 International Paper facility
Timetable for project completion	Expansion 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	Performance Agreement completed, funds issued to county. First annual report due December 31, 2014



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### **AFID Facility Grant Total Economic Development Impact**

As of December 2013, a total of eight announced AFID Facility Grant projects totaling \$835,000 in grant funds were committed or expended. These eight projects account for the creation of 910 new jobs and \$99.19 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 appropriated 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. The first round of applications for this new program was 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 11 projects covering 31 localities.

A second round of AFID Planning Grant funding was announced July 10, 2013, with \$60,500 awarded on October 16, 2013, to three projects covering seven localities developing plans on agritourism, a Virginia wine heritage center, and local food systems. Here is a summary of each project:

Project Title: Feasibility Study to Establish Virginia Wine Heritage Center in Albemarle County  
Applicant: Albemarle County  
Award: \$20,000

Summary: Albemarle County is partnering with the Charlottesville/Albemarle Convention and Visitors Bureau, Thomas Jefferson Foundation/Monticello, and Piedmont Virginia Community College, to bring in an expert consultant to examine the feasibility of establishing a Virginia Wine Heritage Center in Albemarle County. The study will look at critical partnerships, facility attributes and location, funding needs, and the appropriate business model.

Project Title: Building Agricultural and Forestry-based Businesses in The Foothills  
Applicant: Rappahannock-Rapidan Region-Planning District (RRPDC); includes Culpepper, Orange, Madison, Fauquier, and Rappahannock Counties  
Award: \$33,000

Summary: The project is an effort to increase support and preservation of the region's agricultural and forestry-based industries by implementing specific strategies designed to raise awareness of these industries, increase the purchases of regional agriculture and forestry products, and sustain the future of agriculture and forestry in the region. Deliverables include a regional agro-artisan trail, directory, brand, annual conference, and marketing effort; and



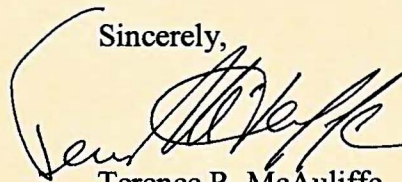
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completion of regional green infrastructure maps and data, including agricultural soils and water quality.

Project Title: Linking the Virginia Tech Catawba Sustainability Center to the Local Food System  
Applicant: Roanoke County  
Award: \$7,500

Summary: The Virginia Tech Catawba Sustainability Center is a 377-acre historic dairy farm located in Roanoke County that was donated by the former Catawba Sanitarium to Virginia Tech. In recent years, Roanoke County has helped fund the activities of the center and searched for ways to help the center contribute to the region's economy. Roanoke County and staff at the center will work with Virginia Tech's Office of Economic Development to explore strategies to increase the connectivity of the Catawba Sustainability Center to the regional food system.

For the remainder of fiscal year 2014, requests for AFID Planning Grants funding, which has almost \$215,000 in uncommitted funds (including approximately \$25,000 in returned funds), will be accepted, reviewed, and awarded on a rolling basis until the fund is exhausted. Approximately \$34,000 in AFID Planning Grant applications are currently under review, with an announcement expected by the end of January 2014. Several additional projects are also under development, and will be announce later this year.

Sincerely,  
  
Terence R. McAuliffe

TRM

cc: The Honorable Todd P. Haymore, Secretary of Agriculture and Forestry  
The Honorable R. Steven Landes, 25<sup>th</sup> House District  
The Honorable John C. Watkins, 10<sup>th</sup> Senate District  
Clyde Cristman, Senate Finance Committee Staff  
Anne Oman, House Appropriations Staff  
Sandra J. Adams, Acting Commissioner, Virginia Department of Agriculture and Consumer Services