



Agribusiness Committee

Friday, June 13, 2003

3:00 p.m.

Hotel Roanoke and Conference Center

APPEARANCES

Delegate Joseph P. Johnson, Jr.  
Chairman

Mr. Clarence D. Bryant III  
Vice Chairman

Mr. J. Carlton Courter, III  
Commissioner, Department of Agriculture and Consumer Services

Mr. Fred M. Fields

Mr. Buddy Mayhew

Mr. Claude B. Owen, Jr.

Mr. John M. Stallard

Mr. Tucker C. Watkins

Mr. Thomas E. West

Mr. Joseph H. Williams

APPEARANCES cont'd

Commission Staff

Mr. Carthan F. Currin, III  
Executive Director

Mrs. Mary Cabell Sherrod  
Manager of Communications and Committee Operations

1 Mrs. Libby Tribble

2

3 Mr. Tim Pfohl

4 Grants Program Administration Manager

5

6 Mr. Jerry Fouse

7 Grants Program Administrator – Southwest

8

9

10 Attorney General's Office

11

12 Mr. Frank Ferguson

13 Senior Assistant Attorney General

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15 DELEGATE JOHNSON: I'm going to call the Agribusiness  
16 Committee to order. It is now 3 p.m., June 13<sup>th</sup>, and we're meeting here at the  
17 Hotel Roanoke Conference Center. I'll call the meeting to order. I welcome  
18 each of you for being here, certainly the subcommittee and staff and I appreciate  
19 your attendance. I'm sure we're ready to have a good time this afternoon and  
20 dispatch our business and do what needs to be done. We'll have the roll call.

21 MR. CURRIN: Mr. Fields?

22 MR. FIELDS: Here.

23 MR. CURRIN: Mr. Mayhew?

24 MR. MAYHEW: Here.

25 MR. CURRIN: Mr. Owen.

26 MR. OWEN: Here.

27 MR. CURRIN: Mr. Stallard?

28 MR. STALLARD: Here.

29 MR. CURRIN: Mr. Watkins?

30 MR. WATKINS: Here.

31 MR. CURRIN: Mr. West?

32 MR. WEST: Here.

33 MR. CURRIN: Mr. Williams?

34 MR. WILLIAMS: Here.

35 MR. CURRIN: Commissioner Courter?

36 COMMISSIONER COURTER: Here.

37 MR. CURRIN: Vice Chairman Bryant?

38 MR. BRYANT: Here.

39 MR. CURRIN: Mr. Chairman?

40 DELEGATE JOHNSON: Present. We do have a quorum to  
41 transact any business this afternoon that will come before the Agribusiness  
42 Committee this afternoon. The first order of business will be the approval of the  
43 minutes of March 21, 2003 meeting. I hope you all received a copy of the  
44 minutes in the mail. Are there any questions, corrections, additions or deletions?

45 MR. WATKINS: The only thing was twenty or thirty times I was  
46 referred to as Mr. Tucker instead of Watkins.

1 DELEGATE JOHNSON: Well, that can be corrected. Any  
2 others?

3 MR. FIELDS: Mr. Chairman, Mr. Watkins might be glad one of  
4 these days to be referred to as Mr. Tucker.

5 DELEGATE JOHNSON: All right, any other corrections? Do  
6 we have a motion to approve the minutes?

7 MR. FIELDS: So moved.

8 MR. MAYHEW: Second.

9 DELEGATE JOHNSON: We have a motion and a second, any  
10 discussion? All in favor let it be known by saying Aye (ayes) Opposed (no  
11 response) the ayes have it, so ordered.

12 The next order of business is the Agribusiness applications discussion.

13 MR. CURRIN: Thank you Mr. Chairman and members of the  
14 Committee. Let me first express my appreciation to Bill Scruggs and Martha  
15 Moore in their assistance for our first round of grant applications and they've  
16 been very helpful in providing us with their expertise and evaluating proposals  
17 that have been sent to you. At this time Mr. Chairman if it's all right, I'd like to  
18 introduce Mr. Tim Pfohl our Grants Manager to make a brief presentation on  
19 each of the applications and then we can go into discussing the applications that  
20 are before you.

21 MR. PFOHL: Good afternoon Mr. Chairman and members of the  
22 Committee, Tim Pfohl, Grant Administration Manager for the Tobacco  
23 Commission. In the information that's been sent to you is what we're going to  
24 talk about. Let me just touch on a couple of items that have been included in the  
25 packet that you received over the last month or so.

26 The function of Agribusiness Development Funding had previously been  
27 categorized for participation in the Commission's Economic Development Grant  
28 Program. One of the spreadsheets that you got along with copies of all these  
29 applications contained some of the history of some of the funding that had been  
30 awarded by the Commission over the last two funding cycles which is FY01 and  
31 FY02. Just as an illustrative piece to indicate who some of the previous grantees  
32 have been, the types of activities that have been funded by the Economic  
33 Development Committee's in southside and southwest and some of the grant  
34 awards and I'll offer that to you just for a little bit of an institutional memory.

35 One of the things that came along with your packet with all the  
36 applications that you have before you today were actually submitted in February  
37 of this year as economic development applications. When the grant application  
38 workshops were conducted in January of '03 one of the eligible categories for  
39 funding was Agribusiness development and support of traditional economies.  
40 Between the timing of those application workshops in January and when those  
41 applications were due in mid-February the Commission met in early February in  
42 Richmond and created the Agribusiness Committee.

43 When the staff was looking at economic development applications we  
44 saw a series of applications that were Agribusiness in nature and we felt like  
45 based on the activities that were proposed in the application and the outcomes  
46 that were indicated as far as measurable products on what the grant fund

1 activities were, those were the types of things that should really be under your  
2 view and they were activities that should have been in the province or bailiwick  
3 of the Agribusiness Committee. The staff recommended to the Economic  
4 Development Committees in April when they took up all of the applications for  
5 economic development, that the applications you have in front of you today be  
6 referred to your Committee and that's what happened and that's how they ended  
7 up where they are today.

8 They are projects by and large presented to the Commission in February  
9 so a lot of people in this room today have been very patiently waiting for the  
10 Commission to take action on these, and we hope we can move through them  
11 today expeditiously and give some resolution to those requests. One of the  
12 other items that was included in the packet along with the applications when we  
13 sent them out to you, was something called Grant Guideline Instructions For  
14 Agribusiness Grant Program. What we proposed to do with that is suggest to  
15 you some funding priorities and some potential guidelines for grants in the  
16 Agribusiness program. I guess in one way the grants you have before you today  
17 or grant requests were submitted under the Economic Development Grant  
18 Program. Probably they would have to conform with the guidelines for the  
19 Economic Development Grant Program. What we were proposing with this  
20 particular handout Draft Guidelines and Instructions is a listing of some possible  
21 funding priorities that you might want to consider as having more or less  
22 importance today to weigh these respective requests as well as a scoring system  
23 that the staff could use in taking a look at these and giving them some relative  
24 ranking. I want to touch on that a little bit and just very quickly move through  
25 the list that's at the bottom of the first page of the Draft Guidelines for the  
26 Agribusiness Grant Program.

27 The staff of the Commission has met with our counterparts in North  
28 Carolina and Kentucky. In Kentucky the tobacco settlement funds have gone  
29 almost exclusively to Agribusiness activity and in North Carolina substantial  
30 portions of their settlement funds have gone to the Agribusiness programs. We  
31 took the materials and their funding priorities and scoring systems and some of  
32 their guidelines and so forth and took from those some of the things we thought  
33 might be of interest to you. In particular that list is priorities for use of  
34 Agribusiness grant funds will include but not be limited to the following activity.  
35 Sort of to paraphrase and summarize some of these: Assisting the tobacco  
36 farmers in transitioning into alternative agricultural enterprises, including  
37 traditional and specialty crops and livestock, wood products, aquaculture,  
38 viticulture and other agricultural products. Assisting farmers with improved  
39 production techniques that result in increased profitability. Increasing net farm  
40 income. Expanding market opportunities for agricultural products, either  
41 through expansion of existing products and markets, or identification of new  
42 products and markets. Finding new ways to add value to agricultural products.  
43 Pilot and demonstration programs that have the potential for transferability  
44 within Virginia's tobacco region, within rural Virginia and in other tobacco  
45 states.

1 Referring to the second page of the Draft Guidelines we list some of the  
2 eligibility and compliance factors regarding the applications that you have in  
3 front of you and these are the general funding policies for the Commission.  
4 Agribusiness applications may be submitted by any public or non-profit  
5 organization including but not limited to, governing bodies of any county, city,  
6 or town. Economic Development Organizations, non-profit organizations, such  
7 as 501(c) 3 entities. It says the proposals that will result in Tobacco Commission  
8 funds being granted or loaned to a private for-profit enterprise must be submitted  
9 and administered by a public or non-profit entity. Those policies are carried  
10 over from Economic Development Grant Programs and consistent with the  
11 Commission's Long Range Plan.

12 If you jump down to the middle of that page we talk about some new  
13 concepts regarding how Commission funds are awarded. Those include  
14 applications for capital investments should receive higher consideration than  
15 requests for operating funds and be consistent with the Long Range Plan.  
16 Operating costs will only be funded for a program's startup phase. The  
17 submission of a business-operating plan is strongly encouraged, to demonstrate  
18 sound feasibility management and sustainability. While there is no required  
19 percentage of matching funds, any funds committed as matching funds must be  
20 spent concurrently with Commission funds (i.e. past expenditures will not be  
21 counted as match). Past expenditures certainly demonstrate a long-term  
22 commitment to a program but what we scored the most and had the highest  
23 priorities would be a project that includes current funding from other sources in  
24 addition to the Commission funds. Those are some of the thoughts we put  
25 together and consistent with the Economic Development Program would be  
26 some principles that I think we need to reinforce.

27 Any request for 100% or possible be borne by Commission funds will not  
28 be considered an eligible application. Requests to pay for essential government  
29 services normally paid for with taxpayer funds. Additions or improvements to  
30 any public utility designed solely for residential use. I'd mention to say you  
31 probably will not see many of those requests in Agribusiness. Eligible requests  
32 will not include staff support needed to implement projects unless it is in that  
33 start up phase in accordance with the long-range plan. Requests should not ask  
34 the Commission to pay for political and lobbying activities.

35 Those are some of the thoughts we put together as a staff for your  
36 consideration. One of the possibilities for acting on this would be to recommend  
37 the guidelines as the Agribusiness Program Guidelines to the Full Commission I  
38 believe the committee could do that at their pleasure. Taking those thoughts and  
39 considerations we've put together for you and making additional changes or  
40 alterations and we'll be more than happy to incorporate your thoughts and  
41 feedback. Any questions based on that?

42 DELEGATE JOHNSON: Are there any questions? This of  
43 course, will include but not limited and this is not in concrete. The Tobacco  
44 Commission can, these are not in concrete, the changes or deviations from them.  
45 I think we need some guidelines. I think it's very good. Do we have any

1 questions about it? Do we have a motion that we adopt or recommend to the  
2 Full Commission that we adopt these Draft Guidelines for Agribusiness?

3 MR. WILLIAMS: So moved.

4 MR. MAYHEW: Second.

5 DELEGATE JOHNSON: We have a motion and a second, any  
6 discussion? All in favor let it be known by saying Aye (ayes) opposed no (no  
7 response) the ayes have it, so ordered.

8 MR. PFOHL: Mr. Chairman, we'll be sure to add these to the  
9 agenda for the Full Commission meeting July 10<sup>th</sup>.

10 Now, I think it's time to move into the specific requests in front of you  
11 today. In your packets with the copies of applications you have a few weeks ago  
12 there's a spreadsheet, the request with a very brief summary. We've taken a  
13 number of steps to facilitate communications with the applicants because we  
14 recognize some of these applications were submitted in February and details may  
15 have changed. We will talk specifically about a couple of the requests for timing  
16 that has altered their plan a little bit.

17 In your packet you have a handout that has a paragraph describing each  
18 one of the requests. The FY03 Agribusiness Summaries and Review Panel  
19 Recommendations June 13, 2003. I will be speaking primarily from that  
20 handout as we go through these. I'll try to in a couple of minutes or so,  
21 summarize the process that has led us to this point. Because the staff did not  
22 actually have Agribusiness Guidelines or adoptive scoring to use in this process,  
23 this being the first time we've reviewed Agribusiness Grants, took a look at our  
24 economic development scoring and tried to use that but really had more of a  
25 qualitative discussion. As Carthan mentioned, we had tremendous input from  
26 Bill Scruggs with the State Department of Agriculture and Consumer Services  
27 and Margaret Moore with the Virginia Farm Bureau. It was a tremendous help  
28 to our staff to have the input of those folks that have a much longer track record  
29 in Agribusiness than I do. My track record is less than a month or two. It was  
30 very helpful for all of us to have that input from them.

31 We have done some due diligence if you will, as a staff to speak to some  
32 of the applicants to explore some possibilities on how to structure some offers to  
33 some of these folks and in a way negotiate some resolutions, potential  
34 resolutions to some of these grant requests. I recognize the staff  
35 recommendations are in front of you today and they were just in front of the  
36 Chairman yesterday afternoon and I apologize for the timing of that. In the  
37 future the staff will get these recommendations to you beforehand so that you  
38 can digest those and give some thought and have some conversations with us.  
39 This is our first time through this process and we're all learning as we go.

40 The recommendations of the Committee and the offers that you choose to  
41 make today and also to the Full Commission along with the guidelines on July  
42 10<sup>th</sup>. The staff will follow up with letters of agreement when offers have been  
43 extended to the applicants and will take care of all the grant monitoring of these  
44 to ensure that the applicants when they use these offers are drawing down the  
45 money on a reimbursement basis in a manner that's consistent with the

1 application and specifically with the budget that was submitted with their  
2 application.

3 One of the primary goals of our two regional administrators Britt Nelson  
4 who is operating out of southside and South Boston and the southside region and  
5 Jerry Fouse who is operating out of Abingdon for the southwest. They will be in  
6 contact with the grantees conducting the monitoring over the life of these  
7 projects. With that said we'll go into the process that has led us to consideration  
8 of these applications unless there is a feeling to do otherwise. We probably  
9 should just move sequentially through the handout of the Review Panel  
10 Recommendations.

11 Our first one will be Application Sustainable Development ASD.  
12 Demonstration of alternative crops to tobacco, which is a ten thousand dollar  
13 request for funding assistance. A request to assist Mr. McClellan of Gate City in  
14 demonstrating the commercial viability of bramble, blackberry and raspberry  
15 production in greenhouse and field settings. The project will utilize a 10' x 72'  
16 foot greenhouse with heating and irrigation and two fields to demonstrate  
17 organic and traditional growing as well as a pick your own berry farm. The  
18 project intends to demonstrate viability of converting former tobacco  
19 greenhouses and fields to profitable berry production.

20 One of the things the staff learned in going through the economic  
21 development grant process was that we learned it's very important to point out  
22 that there's other sources of funding that could be submitted to these projects.

23 The second paragraph says other sources of funding. The total project  
24 cost is eighteen thousand, Mr. McClellan would provide up to seven thousand in  
25 matching funds and labor. Appalachia Sustainable Development is offering to  
26 act as a fiscal agent. The staff recommendation I can convey to you or we can  
27 jump right in or we can take questions. Otherwise I'll try to answer any  
28 questions and I'm sure the applicant will be happy to do that also.

29 MR. WATKINS: Are these new greenhouses or are these  
30 renovated or old ones?

31 MR. PFOHL: This is an existing greenhouse, funds are not for  
32 construction of a new greenhouse.

33 MR. WATKINS: We've got a guy in Halifax in this business.  
34 How long will this potential market be for or how big a potential market is this  
35 for? Are we funding something that has a lot of potential for the market or are  
36 we funding something that has very little potential market?

37 MR. PFOHL: The approach the staff took on this, this is probably  
38 recognized as very similar to a request that starts at the bottom of page three of  
39 your handout which is from the Virginia Small Fruit and Specialty Growers  
40 Association promoting a vibrant, Virginia small fruit industry. That project  
41 involves blueberries and bramble. This is through the Virginia Tech Piedmont  
42 Agriculture Research Station in Blackstone. That application is specifically the  
43 Small Fruit and Specialty Growers Association. Talking about the potential  
44 market for unused acreage and former tobacco acreage that could be converted  
45 to growing brambles, blackberries and blueberries and so forth. They put some  
46 numbers on here and a percentage of those acres would be put into production

1 with these types of small fruits, what the profit factors could be and I think the  
2 numbers were pretty positive in that particular report.

3 MR. FIELDS: It's my understanding that we need to know how  
4 much of that could be sold?

5 MR. FLACKAVETO: I'm Director of the Appalachia  
6 Development and we have a proposal for you. In this case we're serving  
7 primarily as the fiscal agent. Eugene McClellan works with the Scott County  
8 Extension Agent developed this idea and converting an existing greenhouse. I  
9 don't have good, solid numbers on it but I can tell you in terms of the demand  
10 for bramble fruits it's kind of a good news bad news. The good news is that  
11 there seems to be a real demand and people pay well for them. As Eugene  
12 would tell you, there's a very small supply at this point and they're not that  
13 difficult of a crop to grow. So, it would seem that there's plenty of demand.

14 The main problem is they're terribly perishable and you all have helped  
15 us to acquire a forced air cooler, which might be the type of equipment that  
16 might allow you to bring a real perishable product to market, we just don't know  
17 that. If this perishability thing can be worked out I would say there's a large  
18 market for them. I know there's almost no you picks in our region that have  
19 brambles and blueberries. There's very few you pick operations with this and it  
20 seems to be a fairly wide open market.

21 MR. BRYANT: My problem is that you're focusing on one  
22 single producer and I don't think we can do that. We've got to incorporate  
23 someone somewhere else.

24 MR. PFOHL: Mr. Ferguson was just mentioning that, that's why  
25 I think Appalachia Sustainable Development is willing to sponsor this  
26 application. The staff has had a conversation with the staff at Southern  
27 Piedmont Research Center and they were very interested in working with Mr.  
28 McClellan to bring his project in with their research project and get them to a  
29 different climate to test and they'd be willing to work with Mr. McClellan. I  
30 think that's a solution and something that Mr. McClellan might be interested in.  
31 Appalachia Sustainable Development may still be willing to partner and that  
32 may be a workable solution for testing this type of research for both the southern  
33 piedmont and southwest Virginia situation. I would defer to counsel to whatever  
34 type of agreement we might be able to structure between Virginia Tech who will  
35 sponsor that research. I think the benefit of that would be that Mr. McClellan's  
36 research would be consistent from a scientific standpoint with what Virginia  
37 Tech is doing at Southern Piedmont and would offer a broader array of research  
38 finding. So, that's what staff is suggesting in this particular situation.

39 DELEGATE JOHNSON: How long is this project?

40 MR. FIELDS: This is a demonstration product, some  
41 greenhouses are sitting empty in southwest and southside also. People see they  
42 can do that.

43 MR. WATKINS: Would we have a problem with that counsel?

44 MR. FERGUSON: I was observing first of all, that to my  
45 recollection this would be the first grant or loan award that the Commission  
46 would make to an individual even though it would be

1 through a quasi-public entity of some sort. I'm not sure off the top of my head,  
2 that is a particularly new or different legal problem than giving it to a private for-  
3 profit company for example. I do for several reasons some for legal and some I  
4 think maybe standard operating practice a good policy, I'm stepping out of my  
5 bounds a little bit when I say that.

6 The second alternative that Tim mentioned is probably a more  
7 appropriate way for the Commission to look at the project. The Commission  
8 might support a program of research. I certainly don't know the merits of this, it  
9 sounds like it might be a good idea but it would be difficult to gauge the  
10 effectiveness on an individual basis, just on a practical point of view and I'm  
11 stepping out of my bounds. Potentially to set up an open door to a whole new  
12 universe if we take on individually designated, the short answer Mr. Watkins is  
13 I'd say I'm not sure as a matter of constitutional policy it creates a particularly  
14 different problem than the same one we've had for a profit non public entity.

15 DELEGATE JOHNSON: We're going to pass that by for a few  
16 moments.

17 MR. PFOHL: The next one in your handout is Appalachia  
18 Sustainable Development Value Added Rural Economy Initiative. Trying to  
19 help you clarify and to help you understand what the request here is. The  
20 application you received was for one hundred twenty thousand of Commission  
21 funds. It was submitted to the Economic Development Grant Program. The  
22 Southwest Economic Development Committee approved a recommended  
23 funding for forty eight thousand and the Commission approved it in April. A  
24 portion of that request has been funded already by the Commission. ASD is  
25 asking for the balance of that request which is seventy two thousand to provide  
26 technical assistance to farmers, the workshops and training and improvements in  
27 a wood processing center in Castle Wood and the warehouse in Lee County.  
28 Other sources of funding on the project, the total project is three hundred ninety  
29 one thousand. Appalachia Sustainable Development secured over two hundred  
30 thousand matching funds for this project from the USDA, Appalachian Regional  
31 Commission, the Kellogg Foundation and Heron Fund, Project Review as well.  
32 We have someone here to speak to that.

33 DELEGATE JOHNSON: I believe that forty eight thousand was  
34 paid on this project and then it was sent to Agribusiness as a way to do that. Are  
35 there any questions?

36 MR. FLACKAVETO: My name is Anthony Flackaveto and I'm  
37 the Director of the Appalachia Sustainable Development.

38 MR. WATKINS: Who is the wood processing centers Director?

39 MR. FLACKAVETO: That's the second part of this project, a  
40 sawmill and dry kiln and what we do is take logs from local small private  
41 landowners and most of them are farmers. We have a contract with the people  
42 and we dry the boards and then we work with local companies, millworks and  
43 cabinetmakers so we keep the value of our Poplar and Cherry and others in the  
44 region.

45 MR. WATKINS: Do you have a commercial sawmill, are you in  
46 competition with a commercial firm?

1 MR. FLACKAVETO: We're a non-profit organization.

2 MR. WATKINS: You're non-profit in competition with for-profit  
3 people?

4 MR. FLACKAVETO: I don't think that's the case. With this  
5 project we did a survey helping Virginia Tech and the Virginia Department of  
6 Forestry. We looked around and saw a lot of our logs were going out of the area.  
7 We started looking around and, it really wasn't a lack of sawmills because they  
8 were around but the lack of dry kiln capacity. There just wasn't much of that  
9 capacity available. The first step before you can make a cabinet or anything like  
10 that. We felt that we weren't competing and we'd be filling a gap and that seems  
11 to have been the case so far.

12 MR. OWEN: In your application you mentioned the potential one  
13 hundred thousand additional from the Kellogg Foundation.

14 MR. FLACKAVETO: We secured that and it's actually a four-  
15 year grant and over the four years a little over four hundred thousand, just like  
16 one hundred thousand for four years and we secured it.

17 MR. OWEN: If my math is correct prior to the forty eight  
18 thousand that you received this year you received two hundred twelve thousand  
19 from Economic Development for southwest in previous years. In the operating  
20 budget it looks like one hundred twenty thousand this year from Economic  
21 Development and Agriculture requests. Is this funding current operations?

22 MR. FLACKAVETO: It's about 50% for capital improvements.  
23 Some of these monies were granted from the Economic Development has  
24 already been expended, just this week we're installing the forced air cooler that I  
25 mentioned earlier and that will allow us to chill. The big issue in the produce  
26 business is perishable and this forced air cooler will help us, that will really help  
27 us. So, that is exactly, 50% of that request is going for the forced air cooler,  
28 some new wiring has to be done to accommodate the large compressor and other  
29 facility improvements at our packing house and some comparable at dry kiln  
30 facility. That will allow us to produce more faster and better quality. Then  
31 about 50% of that is money for technical assistance for farmers to make  
32 transition to fruits and vegetables.

33 For marketing services it's a tremendous job to secure these markets and  
34 particularly these large grocery buyers. There's a lot of things from developing  
35 materials for the supermarkets to just developing a relationship with the buyers  
36 who have very, very high expectations. So, I guess about 50% is operations in  
37 the sense that it's the work that we have to do to get farmers to get to the market  
38 and the other 50% is capital.

39 MR. OWEN: Does that mean on an ongoing basis in future years  
40 you're going to need an annual subsidy from the Commission?

41 MR. FLACKAVETO: I hope that won't be for long. Last year  
42 our grant was about a third larger than this year. We asked for less. Our  
43 business plan calls for an increase in our own self-sufficiency. It's hard to be  
44 self sufficient in the first two or three years. As we get more farmers and sell  
45 more produce and get more landowners to sell some logs and that'll generate a  
46 small amount of revenue and in the process we will return to pay for expenses.

1 We're not at the break-even point yet, we'd like to be there in 2004 or 2005.  
2 Thank you.

3 DELEGATE JOHNSON: Any other questions?

4 MR. BRYANT: When you talk about the direct and indirect  
5 economic benefit, who actually put this information together? You haven't  
6 quoted any state economists or Department of Agriculture experts that would  
7 relate to this information? The reason I say that is I've made testimony many  
8 times myself on tobacco and I relied heavily upon a Wayne Purcell or Price  
9 Waterhouse when talking about figures. I'd like to know who.

10 MR. FLACKAVETO: You're referring to the economic  
11 development outcome?

12 MR. BRYANT: Yes.

13 MR. FLACKAVETO: A lot of it's based on, it's not numbers out  
14 of thin air but it's based on the fact that we have commitments from buyers and  
15 we know that Ukrops in Richmond said they will buy two hundred boxes a week  
16 of this at this price and three hundred boxes a week at that and we've had that  
17 from four major buyers. Ukrops, Fruit City, Harris Teeter in North Carolina.  
18 Some of our sales projections are fairly precise to the extent that agriculture  
19 projections, if it doesn't stop raining these numbers will be hurt. If the sun ever  
20 shines we know we have a market demand of two hundred fifty to three hundred  
21 thousand for the Appalachian harvest based upon specific crop projections  
22 buyers have given us. We downgrade them because they don't always do what  
23 they say and we know sometimes and we know what happens and we have  
24 experience. We know who we can believe and who we can't. Some of the other  
25 numbers referred to in there in terms of ancillary businesses like the organic seed  
26 business and transplant business. We know we have specific demands for 'x'  
27 number of organic tomato plants that could be sold right now. They are pretty  
28 clear numbers that come from commitments from buyers.

29 DELEGATE JOHNSON: Any other questions? Anything else  
30 you'd like to say?

31 MR. FLACKAVETO: We've had some real good support in the  
32 past without which we and we're grateful for the support we've gotten up to this  
33 point. We hope to not request indefinitely.

34 MR. WATKINS: You're saying you won't have a request next  
35 year?

36 MR. FLACKAVETO: That's not exactly what they said but we'll  
37 try to be smaller.

38 MR. WATKINS: How many years would you say in your current  
39 business plan before you break even or make a profit and don't come back?

40 MR. FLACKAVETO: I would think we would not need to come  
41 back for another year or two at most. I think the rural gets more because the  
42 revenue signs are improving and picking up hopefully. I'm sure you'll hold me  
43 to that.

44 DELEGATE JOHNSON: Is it fair to say that without your  
45 organization and your help there would be many, many farmers that grow this  
46 product today that would not have an opportunity to market their products?

1 MR. FLACKAVETO: I think certainly in terms of farmers who  
2 are raising and growing organic. Certainly Clinch Mountain Farmers has created  
3 a very similar system and are working not only with farmers. We're not the only  
4 one in town but we're the only one in the whole region that is working to help  
5 farmer's transition to organic, which is a special market in itself. If we weren't  
6 working with them I don't think there'd be too much of that activity going on.

7 MR. STALLARD: Mr. Chairman, I wanted to ask Anthony a  
8 question concerning, if I heard you right you have a solar chill dry?

9 MR. FLACKAVETO: Solar and wood fire. We could heat the  
10 water up, solar and wood fire simultaneously.

11 MR. STALLARD: I was wondering how long it takes to cure a  
12 piece of wood with solar power in or near an area like this?

13 MR. FLACKAVETO: That's why we put the boiler in. We had  
14 built a kiln before and we had a summer like this and we said we weren't going  
15 to do that again. If you have less sun you put more wood into the boiler and run  
16 the boiler at greater temperatures. In March which was cool and fairly cloudy  
17 not like May or June this type of weather, we were drying one inch of Oak and  
18 Hickory and those are some of the slowest boards to dry and we were drying in  
19 twenty one to twenty five days for a charge. That's sixteen thousand to eighteen  
20 thousand board feet of lumber like one and a half tractor-trailer loads. It's  
21 slower than our conventional kiln but not dramatically it's slower. We can move  
22 basically a charge per month through there or slightly less. If it's something like  
23 Poplar it's quicker but for Hickory or Oak about twenty-one to twenty five days.

24 DELEGATE JOHNSON: Thank you. Any other questions?

25 MR. FLACKAVETO: Thank you very much.

26 DELEGATE JOHNSON: What is the staff recommendation?

27 MR. PFOHL: The staff felt this project demonstrated multiple  
28 funding sources, professional administration, sustainability through revenue  
29 generated and was consistent with the Commissions long range plan so we  
30 recommend it and consider funding this project.

31 DELEGATE JOHNSON: Members of the Committee, do you  
32 want to go through all of them and come back and vote on each or do we want to  
33 vote on them individually as we go?

34 MR. WATKINS: What's the total request for funds?

35 DELEGATE JOHNSON: We've allocated one million four  
36 hundred seventy three thousand five hundred ninety four.  
37 The recommended proposal is one million three hundred thirty three thousand  
38 two hundred.

39 MR. WATKINS: If we approved all of the ones that are  
40 recommended?

41 DELEGATE JOHNSON: So, you want to go through all of them  
42 and then vote. All right, what's the next one?

43 MR. PFOHL: The next, we had two requests from Clinch  
44 Mountain Farmers, Inc. and the first is a request for one hundred seventy five  
45 thousand.

1           Transportation cooling for a commercial vegetable producer. Funds  
2 would assist farmers in Lee, Scott, Russell, Wise, Washington and neighboring  
3 counties to produce, grade, store, market and deliver locally grown vegetables  
4 from Weber City. Funds will be used for refrigeration trucks and purchase and  
5 installation of new chillers and cold storage. The Clinch Mountain Farmers are  
6 on track to build, they're really on their second facility and their long-range plan  
7 is to build a new structure. This organization has received money from the  
8 Commission over the last two fiscal years. Two hundred thousand in FY01 and  
9 received one hundred thousand in FY02. The staff requested and received a  
10 report on the use of FY01 funds. Many may recall that the FY01 the  
11 Commission cut checks directly to grantees as soon as we have the agreement in  
12 hand. The Clinch Mountain Farmers got two hundred thousand in FY01 from  
13 the Commission. The FY02 was a reimbursement-based process. They have  
14 drawn down portions of those funds. The report on the FY01 funds indicate  
15 they've used about one hundred fifty thousand of the two hundred thousand of  
16 FY01 for the purchase of equipment. Things like trucks, boxing, packaging and  
17 shipping and an assortment of related supplies and expenses and equipment.  
18 They've used approximately forty thousand of their FY02 award to purchase a  
19 site for their new facility and they have a remaining balance of fifty thousand  
20 from FY01, which they've had in their possession for the use of construction of  
21 the new facility. They had a balance of nearly sixty thousand from FY02, which  
22 I believe they intend to apply toward the construction of a new facility. This  
23 request will provide some additional equipment for them.

24           The total project cost is one hundred seventy five thousand. They have  
25 utilized in the past a USDA loan of three hundred twenty three thousand. They  
26 have a pending request for ninety nine thousand nine hundred USDA loan which  
27 would provide matching funds for this project. The staff wanted to point out that  
28 and I hope I describe this correctly, that the Clinch Mountain Farmers according  
29 to their bylaws and articles of incorporation are in fact a for-profit cooperative  
30 that in the event of their disillusion the assets of the organization would be  
31 distributed among the members of the cooperative. In the FY02 award the  
32 Commission made that contingent that a non-profit or governmental organization  
33 would be the fiscal agent for that award and the Southwest Virginia Agricultural  
34 Association to be the agent on the FY02 award.

35           I would note that if these awards and requests are granted it would be the  
36 staffs recommendation or request that there be a plan put in place to protect the  
37 ownership of the Commission assets and that they not be placed in the hands of  
38 for-profit cooperatives in the event of disillusion of that cooperative Commission  
39 funds would be distributed amongst individuals. To whatever extent counsel can  
40 assist us in devising a mechanism to place a lien on the new facility or put it in  
41 the ownership hands of some sort of non-profit entity that would have ownership  
42 title to the new structure. Hopefully, that might be the best solution or it might  
43 be worthy of consideration by the Commission. The first request is one hundred  
44 seventy five thousand.

45           Now, I'll talk a little bit about their second request. This request is a  
46 request for one hundred fifty four thousand for the wholesale marketer for

1 commercial vegetable producers. This request is for a new facility and  
2 equipment and supplies to operate and this is a very similar request.

3 MR. WATKINS: How many farmers belong to this co-op?  
4

5 MR. PFOHL: Their application notes that a membership drive is  
6 under way. There may be some updated information but this is a February  
7 application.

8 MR. THOMPSON: My name is Richard Thompson and I'm the  
9 Managing Director of Clinch Mountain Farmers. As far as the group of farmers  
10 we would support about fifty farmers at this time and probably added three new  
11 farmers this current growing season with more to come onboard.

12 We ship and distribute many different products. Right now we're in the  
13 spring crops, which is squash and cabbage, and we'll go into our summer crops,  
14 which are melons and tomatoes, peppers and so forth. Some of the other farmers  
15 grow pumpkins and things of that nature. They'll probably come on some time  
16 in August.

17 We're currently taking more members in and are soliciting for growth  
18 from our farmers. Our growing capacity has increased each year. Right now  
19 we're looking for consumer base or customer base and basically at this time we  
20 need more farmers to come into this co-op so we can support the current  
21 customer base that we have.

22 The opportunity for growth in southwest Virginia is very positive. Upon  
23 our grant request we have requested funds to help to finish the farmers market.  
24 One of the reasons we have done that is what we're in right now we're not  
25 currently open to the public. We have a lot of customers that are passing by  
26 Clinch Mountain asking Appalachia Sustainable to go into North Carolina and  
27 South Carolina and buy crops and then come back. We're trying to get a facility  
28 erected that we can get those potential customers buying products from  
29 southwest, Virginia. That way they don't have to make a trip over the mountains  
30 into North Carolina. We're trying to have a facility similar to the Asheville  
31 market so consumers can actually come in and buy products from Clinch  
32 Mountain.

33 DELEGATE JOHNSON: Is there a cost in becoming a member?

34 MR. THOMPSON: We have currently a one hundred dollar  
35 membership fee.

36 DELEGATE JOHNSON: How do you distribute products?

37 MR. THOMPSON: The one hundred dollars is used as operating  
38 expense capital, an operating market. Utilities are about the only bills at this  
39 time.

40 DELEGATE JOHNSON: Does the organization make money?

41 MR. THOMPSON: Currently we are not profitable and in the  
42 past we've made an effort to go to a 501(c) 3 corporation which we're still in the  
43 process of doing that.

44 DELEGATE JOHNSON: Whose name is the property titled in?

45 MR. THOMPSON: The property is titled to Clinch Mountain  
46 Farmers but we have a deed that it would go back to the Southwest Ag, which is

1 a 501(c) 3 corporation. If we did disband or dissolve the corporation the assets  
2 would go to that organization.

3 MR. OWEN: Does this request complete the building program?

4 MR. THOMPSON: Yes.

5 MR. WATKINS: You won't be back looking for another check?

6 MR. THOMPSON: Probably not. The budget for this year,  
7 we've set a budget and we should meet our goals this year which would make  
8 our corporation a break-even corporation and this should complete our building  
9 projects.

10 MR. WATKINS: A break even, the repairs and the replacement  
11 equipment when it becomes outdated?

12 MR. THOMPSON: That's right.

13 DELEGATE JOHNSON: Sir, you mentioned a corporation, are  
14 you a stock or non-stock corporation?

15 MR. THOMPSON: A non-stock corporation. There's no primary  
16 owner of the corporation. We have a thirteen member Board of Directors which  
17 is primarily made up of farmers and local business personnel such as bankers  
18 and so forth.

19 DELEGATE JOHNSON: Do the members of the Board of  
20 Directors receive a salary?

21 MR. THOMPSON: No. Our warehouse personnel, myself, and  
22 the office managers are the only one that receives salary. DELEGATE  
23 JOHNSON: Any other questions?

24 MR. BRYANT: I'd like to ask two members from that area what  
25 their feelings are on this. What have you heard from producers and do they need  
26 producers to join so they can become profitable? What do you hear about them?

1 MR. STALLARD: Are you asking me or Fred?

2 MR. FIELDS: He's asking you.

3 MR. STALLARD: If you put much stock in hearsay. I think one  
4 of the things they're trying to address in their request is trying to get where they  
5 can sell retail. If some little old lady wants to go down in town to shop and I  
6 think it'll be a big help to them. When you address the membership, I wish  
7 they'd drop that fee so, or if someone had a few items they wanted to take down  
8 there to sell the value would probably be less than one hundred dollars which is  
9 the membership fee and at least maybe they could amend whatever they could,  
10 or they could get other members and other members who have already paid the  
11 membership to sell whatever items they had. The main point in there is to try to  
12 get it where they can sell retail. A lot of people do travel to these markets but to  
13 help people sell what they have in their gardens I think will help the area.

14 MR. THOMPSON: One thing I'd like to mention is that in  
15 talking about the membership fees, we have addressed that issue and our  
16 objective or goal was to rebate it back to the farmers at the end of each growing  
17 season. Our Board is going to consider that motion so that's something we hope  
18 to do.

19 I'd like to mention another thing that the Agribusiness in southwest  
20 Virginia is very poor. Basically since 1997, Clinch Mountain Farmers actually  
21 started this farmers market, which is growing each year up to date, but in 2003  
22 this could possibly be a breaking year for the farmers market. On our way up  
23 here I received a phone call from Ohio where there is a consumer up there that  
24 had some cabbage and looking for us to produce about five loads of cabbage per  
25 day for his company. To give you an idea of what that would mean in revenue  
26 to the southwest farmers market. For the local farmer that would average out to  
27 about twelve thousand a day back to the local farmer if we could produce that  
28 cabbage. Currently we don't have the capacity to do that but our goal is to get  
29 that capacity. Options for us are expanding greatly each year.

30 The Federal government has set out this year for bids for watermelons.  
31 This is a program that we will be bidding on and this is the first time ever.  
32 That'll be bidding our products to the government to take our watermelon and  
33 that's positive for southwest Virginia and the surrounding areas. The growth  
34 potential in funding this project is very good and I think you'll see some results  
35 in 2003 and in years to come.

36 DELEGATE JOHNSON: Any other questions? What did the  
37 staff recommend?

38 MR. PFOHL: Mr. Chairman, I think the staff did research on this  
39 and we reached a comfort level that with certain provisions this project is  
40 consistent with the long range plan and adds value to agricultural products. We  
41 recommend that the request be contingent with the government non-profit  
42 serving as fiscal agent, evidence of current matching funds and some protection  
43 of ownership of the assets that will be created with Commission funds.

44 MR. BRYANT: Mr. Chairman, what does the staff have to do in  
45 this process for these different programs?

1 MR. PFOHL: We start with a letter agreement, which basically  
2 takes the application and uses that as an appendix to the letter agreement and  
3 outlines the terms and conditions of the grant. The grantee will comply with  
4 performing the activities that are outlined in the grant, conform to the budget  
5 submitted in the grant. They will meet reporting requirements and any other  
6 grant report we requested in doing our homework on this project. The staff also  
7 does site visits and this is a reimbursement-based process so we have some  
8 control over this. As the grantee incurs some expenses in order to get their grant  
9 funds they have to submit a state invoice with attached copies of invoices to  
10 show the expenditures were clearly for the approved project and within the  
11 budget for the approved project. Jerry Fouse would take these reimbursement  
12 requests, verify those items and send it up to Richmond and then we would  
13 verify them again and do the reimbursement for that.

14 DELEGATE JOHNSON: Are there any other questions? All  
15 right, let's go to the next one.

16 MR. PFOHL: Halifax County Niche Marketing Specialist sixty  
17 six thousand six hundred sixty six dollar request to establish a niche marketing  
18 specialist position to assist agricultural producers in Halifax County marketing  
19 niche commodities such as herbs, horticultural products, hydroponics vegetables  
20 and so forth. The County notes that the absence of a full time Virginia  
21 Cooperative Extension Specialist precipitates the need for this position. The  
22 provision of a niche-marketing specialist will enhance producer's efforts and  
23 ensure the production of quality agricultural products, contributing ultimately to  
24 the successful marketing of these products. It is estimated that this position  
25 would potentially serve the 940 farms currently in operation in the County.  
26 Funding for this position is for one year, with permanent support potentially  
27 from educational services of restored VCE funding, growing funding or through  
28 the County's current agricultural development efforts. The total project cost is  
29 one hundred thousand. The project balance of thirty three thousand three  
30 hundred thirty four dollars will be provided as a cash match by the County. I've  
31 just been handed a note that that request has been withdrawn. So, the request of  
32 Halifax County for the Niche Marketing Specialist has been withdrawn. Moving  
33 down to the next one.

34 Halifax County has submitted a proposal on behalf of a nineteen county  
35 consortium to enhance the growths of beef production in southside Virginia.  
36 Seven million dollar, three-year request was submitted initially to the Special  
37 Projects Committee as a regional scope and a regional program. I'll point out  
38 before I go into that information that there is an amended version of this request  
39 in the form of a three county pilot demonstration phase in the next summary you  
40 have in your handout. The three county demonstration follows the model set out  
41 in the nineteen county consortium. The three areas of beef production that  
42 would be targeted for incentives include: genetic improvements, intensive  
43 forage management and utilization; and, thirdly, improves cattle handling  
44 facilities.

45 The concept is a dollar for dollar match is required of participating beef  
46 cattle producers, with incentives not exceeding a maximum of five thousand

1 dollars per program component. A maximum of fifteen thousand dollars per  
2 producer per year. That would have to be matched dollar for dollar by the  
3 producer. The information in the application that the average grant would be in  
4 the ballpark of three thousand and this request is to span for three years. It  
5 would be administered by the consortium of the counties in partnership with Soil  
6 and Water Conservation District personnel in the cooperative extension and so  
7 forth. The county has asked that this request be considered by the Commission  
8 and although they recognize the fact there is not sufficient funding built into the  
9 Agribusiness budget to fund the seven million dollars spread over three years.  
10 That exceeds the amount of the budget for the total Agribusiness program. They  
11 have submitted a revised version. That's a three county pilot submitted by  
12 Halifax County, Pittsylvania County and Mecklenburg County at a cost of five  
13 hundred thousand per year and the same program described with the nineteen  
14 counties. The total project cost for the pilot version nine hundred forty seven  
15 thousand two hundred, local match of seventeen thousand two hundred is  
16 provided in the form of administrative fees by Halifax County's Agricultural  
17 Development Director. Private funding of four hundred thirty thousand will be  
18 provided by farmers, who are required to document an equal match to the grants.  
19 This will help the farmers accomplish those three programs.

20 I guess one of the possibilities would be for the Committee to actually  
21 table the seven million dollar request and I'm not sure if that's a necessary  
22 component or, I don't know what needs to be done. Maybe Mr. Ferguson can  
23 advise us on that and how to act on the seven million dollar request. The county  
24 has indicated that they're interested in your consideration of five hundred  
25 thousand and the three county pilot demonstration.

26 DELEGATE JOHNSON: The staff recommends the three county  
27 pilot project of five hundred thousand dollars?

28 MR. PFOHL: Yes, the staff felt the proposal showed strong  
29 support from the participating localities, it showed good matching funds dollar  
30 for dollar match. Professional administration initially in the pilot phase by  
31 Halifax County's agricultural office and obviously potential for expansion across  
32 the tobacco region. We have received an abundance of letters in support  
33 indicating the philosophical support to expand this nineteen county concept.  
34 Also the anticipated participation of the various organizations listed. The  
35 Halifax County Administrator and Agricultural Development Director are here  
36 to answer any questions as well. For those reasons mentioned the staff  
37 recommended funding of the three county pilot. DELEGATE

38 JOHNSON: Are there any questions?

39 MR. WATKINS: Where would this money go Frank?

40 MR. FERGUSON: The payments would go to the Halifax County  
41 Agricultural Development Center and they in turn would pass them out among  
42 the farmers or the individuals come in and show they have matching funds and  
43 meet the qualifications and they would be paid directly.

44 MR. PFOHL: The information that's been submitted to us shows  
45 that in the pilot phase Halifax County would work in partnership with the  
46 extension agent to process payment. Halifax would be the fiscal agent. It's

1 anticipated that the nineteen county consortium level of funding they would  
2 incorporate non-profit and administer the program. Mr. Watkins raises a good  
3 point. I think in some of the conversations this afternoon staff and some of the  
4 advisors noted that it might be advisable that we could avoid a situation where  
5 the farmer would receive a Commission Grant Fund and then cash out and sell  
6 their farm and they can sell whatever improvements and so forth and liquidate  
7 their Commission assets and walk away with cash in hand. We felt like if there  
8 was an agreement that there be a provision to recapture those funds and assets  
9 sold within a certain number of years or some way to ensure that the farmers had  
10 to hold the assets for a minimum length of time. Ms. Wallace would like to  
11 address the Commission.

12 DELEGATE JOHNSON: Would you state your name?

13 MS. WALLACE: I'm Linda Wallace the Agriculture  
14 Development Director for Halifax County. To answer your question, within  
15 program guidelines for all three components of the program. Should a farmer  
16 attempt to cash out if you will, after say a year, it's stipulated in the guidelines  
17 that he will be responsible for a prorated payback. This program is modeled and  
18 I'm not sure if you all are familiar with state cost share. If you accept cost share  
19 money from the state and don't utilize the funds you are required by that  
20 program to pay it back and our program is modeled after that to prevent  
21 incidents like that. Our guidelines I feel are much tighter than state and federal  
22 cost sharing guidelines. All of this is detailed in forty-seven pages of the  
23 proposal in the nineteen County Consortium so, we have thought this over. We  
24 have thought of that and I think we have that covered.

25 MR. FERGUSON: Mr. Chairman, to get back to Mr. Watkins  
26 question. There are two issues here, one of the issues is my concern and one is  
27 not a legal issue. The designation of the Halifax County Agriculture  
28 Development Center or department or agency as a fiscal agent really carries two  
29 questions. One is the administration of the program and the handling of funds  
30 and that is a business issue and a policy issue.

31 The question that arises and the one that I think Mr. Watkins is getting at  
32 is do we have the same constitutional issues from time to time, where the  
33 Commission is providing public funds for private benefit. So there's no  
34 misunderstanding, this is not a disagreement between staff and my office just  
35 two different matters. The staff is dealing with the fiscal and business side of it.  
36 The issue that we have to look at and it's helpful that it's going through a  
37 governmental agency and we've always had that requirement as Tim pointed out  
38 under the guidelines. If you have a private for-profit and you call it a fiscal  
39 agent and I call it a private beneficiary. The requirement is to ease some  
40 constitutional concerns that come about when state funds are being appropriated  
41 for non-direct state purposes. The test we talk about is whether or not there is a  
42 public purpose being achieved through the use of these public funds to the  
43 benefit of a private entity whether it's an individual farm or whoever, not a  
44 governmental agency or public agency.

45 As I always ask in these cases, if the Commission is going to approve this  
46 one or any private entity receiving benefits that they consider whether or not a

1 public purpose is not enhancing individuals involved but something broader and  
2 more applicable across the Commonwealth as a whole or a substantial segment.  
3 The greater public good the less constitutional concern about giving public  
4 benefits to private interests. You also achieve that separation that is involved in  
5 public entities here or if the recipients ultimately receiving them is a non-profit  
6 entity. All those things are very important in bringing this to your attention.  
7 That's why I always want to make sure we focus in on those things because  
8 when we read all these cases from the Supreme Court on this issue there's a lot  
9 of fuzzy language there. All I can do and all the Commission can do is make its  
10 best judgment about the ultimate good that this project will provide to the public  
11 entity if you will, the Commonwealth and the people of southside and southwest  
12 Virginia as opposed to the individuals who also benefit relative but not dis-  
13 positive of the question. That has to happen in order for this project to be  
14 something that anybody would be interested in doing. While I've sort of talked  
15 around the barn I hope that will sort of remind everybody about what we need to  
16 think about as we do this and how we do that and sometimes I raise my hand and  
17 say we've got to think about that before we go forward.

18 Mr. Chairman, the bottom line for me then is, I'm not going to sit here  
19 and tell you this is not something you can do. What I would say is that wherever  
20 private for-profit entities and particularly private for-profit individuals are  
21 involved you have to have a fairly clear notion. I would ask that the record  
22 reflect the Commission finds that a public purpose is being served by this  
23 particular, use this one as an example. This enterprise applies to the Clinch  
24 Mountain Farmers. It applies any time the ultimate recipient of the funds is  
25 going to be something other than a public entity.

26 DELEGATE JOHNSON: Yes.

27 MR. MORGAN: I'm Joe Morgan Halifax County Administrator  
28 and I'd like to add as a matter of assistance on this to make sure we're within the  
29 law because Halifax County and these other counties have a similar concern.  
30 We have engaged counsel on this matter Sands, Anderson, Marks and Miller  
31 Law Firm. They advised Halifax County on local government matters but also  
32 advises on similar matters. We have an attorney who is formerly on the  
33 Commission working for us and working with Frank to make sure that we have a  
34 very proper form in place and we offer that resource to the Commission and the  
35 Committee. While I'm speaking I'd also like to say that Ms. Wallace and the  
36 fine folks that support her have taken extensive measures to try to make sure that  
37 this is delivered in a reasonable way. I want to emphasize the role of the Soil  
38 and Water Conservation Districts. Our farmers and the farmers across the  
39 Commonwealth go the distance for cost sharing provisions. It's an accepted way  
40 to get assistance. The folks at those offices know the farmers and the farmers  
41 know those folks. We hope to deliver the service through our Soil and Water  
42 Conservation Districts. We have consent from those offices and those elected  
43 district commissions in the counties supporting the project and be partners in the  
44 service and the delivery of these assets to the farmers.

45 DELEGATE JOHNSON: This Committee only recommends to  
46 the Full Commission. My question to you Mr. Ferguson as our legal advisor is,

1 do you think there are problems with this or the Clinch Mountain application in  
2 the sense that this is not a non-profit as one we should look into?

3 MR. FERGUSON: Mr. Chairman, let me answer it this way and  
4 I'm a little bit repetitive of myself. There are those who are respected legal  
5 minds who think that when the General Assembly makes a budget appropriation  
6 to the Chrysler Museum in Norfolk that that's unconstitutional. If they are  
7 correct then these probably are. That is not my view although a quick reading of  
8 the constitution might say that. The case law from the Supreme Court and in my  
9 experience dealing with the Supreme Court and how they view legislative action,  
10 that in this case you're doing a delegated legislative activity. It tells me that the  
11 Supreme Court is going to afford great deference to your judgment. Should  
12 there be concern, yes, sir. I think as suggested it's probably appropriate as we  
13 look at setting up a mechanism by which something like this should be funded  
14 and it's the Commissions ultimate decision to do so that it be done in a way that  
15 the funds that the Commission is providing are clearly going to achieve that part  
16 of the mission of this particular organization or whichever one that is defined or  
17 determined to be serving the public interest.

18 Economic development southside and southwest Virginia are public  
19 purposes and the statute establishing this Commission says as much. That  
20 legislative determination in a broad sense has already been made. That gives me  
21 some comfort and gives you some protection when you make these decisions.  
22 Were it not so I think Steve and I probably would have told you years ago  
23 you've gone too far. I would be fairly insistent that the Commission always use  
24 a vehicle, this is not merely a form of substance issue this is a substance issue  
25 that a local entity, a local governmental entity or at least a quasi-governmental  
26 entity that made a decision on its own and a local public purpose is being  
27 achieved and they're sort of willing to add their good name to it if you will. All  
28 of those are factors to establish the rightness of the public purpose that is being  
29 sought and that helps the Commission as well. That's one of the reasons I would  
30 always counsel against the Commission making direct awards or grants or loans  
31 to a non-public and particularly a for-profit non-public entity. You want to be  
32 sure that the Commission uses state funds for appropriate and constitutional  
33 purposes.

34 It is the Commissions obligation to determine if a public purpose is being  
35 achieved, one that is sufficient to justify using this private if you will, to achieve  
36 that purpose. That's really the constitution, cases under the constitution that I  
37 talked about. It's still an act by a governmental agency. If you're attempting to  
38 achieve your goal you just happened to utilize the private entity in the process.  
39 I'm not telling you this is beyond the pail but the more of these factors that are  
40 present individuals as opposed to larger entities, for-profit versus non-profit,  
41 private versus public, less involvement versus more involvement of local or  
42 regional, all those factors you have to take into the balance. More of one on this  
43 side the less likely that a court reviewing this would find that a public purpose  
44 was overriding the private benefit that's being gained.

1 DELEGATE JOHNSON: You heard the presentations that they  
2 gave, do you have any questions or need additional information or do you need  
3 more information where you'd be more comfortable?

4 MR. FERGUSON: I believe it's all in the proposal but it might  
5 be useful just to take a couple minutes to describe if this project is successful or  
6 if it goes forward as anticipated what sort of next step or more generalized  
7 benefit would be realized from a successful pilot project. In other words, what  
8 would you learn from this or what would be done with it?

9 MS. WALLACE: I'm not sure, what would be done with the  
10 funding?

11 MR. FERGUSON: The information, the technology, if it's  
12 something that would be replicable.

13 MS. WALLACE: You're asking about the money trail or are you  
14 asking about the public good?

15 MR. FERGUSON: I think it would be helpful for the  
16 Commission to have the record reflect that, let's assume the money is awarded  
17 and it's a successful project and aside from the money or the increased value  
18 that's added to the beef cattle is this also a benefit derived from this project that  
19 the same technology, the same information and the same education achievements  
20 can then be used elsewhere and transferred to the entire consortium originally  
21 proposed for the project?

22 MS. WALLACE: Certainly, we believe that is possible as  
23 demonstrated. Specifically some of the counties that are a part of this nineteen  
24 county consortium. Amelia County, Buckingham County, marketing alliances in  
25 several counties in southside Virginia are realizing the potential for added value  
26 to their beef products. So yes, we think this is very doable not only in Halifax,  
27 Mecklenburg and Pittsylvania counties but the southside region. I think this is a  
28 great program for the entire state both southwest and southside Virginia.

29 Beef cattle in Virginia is a terribly underutilized agricultural commodity  
30 that we overlooked for years in many counties in the region because tobacco has  
31 always been king. Tobacco has been cash king and I don't think historically  
32 beef producers in our region looked at cattle for revenue. They always had  
33 twenty-nine or forty head on their pasture but tobacco was king. I think with  
34 workforce training if you will, and some incentives for these producers I think  
35 we can teach them to add value to their product and we can increase the  
36 marketability, their marketing clout. This project alone has the potential of  
37 doubling the cash receipts from beef in these three counties. If you look at the  
38 nineteen counties as a whole we're looking to double in cash receipts in the  
39 nineteen counties. Yes, this project can easily be taken to other counties. Does  
40 that answer your question?

41 MR. FERGUSON: That's helpful and it illustrates I think what I  
42 said although not very well articulated. What I've heard now is that two or three  
43 things can happen to this to be a successful project.

44 One, these particular farmers who have these cows may have a better  
45 product to sell and may make more money and that's fine but that's not really  
46 the concern of the Commission. What is the concern of the Commission and

1 what I've also heard is two other things. Number one, that because of that it  
2 creates an incentive and an opportunity for farmers who have been tobacco  
3 dependent in years past to have alternative ways to use their resources and  
4 produce income for them and that clearly is a mandate of this Commission. The  
5 second thing is that it's something that can be replicated or used to help others  
6 through this project. Two of three things I heard are items that would enable the  
7 Commission to find for a public purpose and if they felt it was an appropriate  
8 setting pass that constitutional bar.

9 The third one while it's a perfectly acceptable business goal it's not what  
10 the Commission can constitutionally be about.

11 DELEGATE JOHNSON: Mr. Williams.

12 MR. WILLIAMS: I think what I'm hearing Frank say but my  
13 question to Frank is, that the General Assembly appropriates money each year  
14 for best management practices. Hopefully somewhere down the line it's going  
15 to add cash value to the producers or to the participants in this program. What  
16 would be the difference between the General Assembly providing cost sharing  
17 and then this Commission providing cost sharing?

18 MR. FERGUSON: Potentially none.

19 MR. WILLIAMS: You don't have to do all that again.

20 MR. FERGUSON: One is to do it the same way assuming that.

21 MR. WATKINS: You're looking at two and a half percent for  
22 who?

23 MS. WALLACE: Yes, sir. No, not all of that. That is  
24 administrative fees for Halifax County. Two point five percent to the Soil and  
25 Water Conservation District. Proportionate to the amount of money from the  
26 application they receive. We suggested to utilize Soil and Water Conservation  
27 District because as Mr. Morgan said historically they do cost share well and the  
28 farmers are familiar with going there and otherwise we were sort of hard pressed  
29 on where to go to get the applications.

30 If the Soil and Water Conservation District processes the application for  
31 us and possibly does an initial site visit for us and possibly does a verification  
32 visit following the installation of whatever. Whatever you buy, if you buy bulls  
33 or whatever and someone can come there and do a spot check and do an  
34 assessment afterwards. People in the nineteen counties all did this project and  
35 the three counties represented here today feel we should compensate the Soil and  
36 Water Conservation District in some manner. We feel that two and a half  
37 percent is fairly minuscule for the amount of work.

38 MR. WATKINS: How much were you paying the Soil and Water  
39 Conservation District to make the visits roughly? MS.

40 WALLACE: In consultation with the Soil and Water Conservation District we  
41 felt that your average application will probably consume eight hours of time  
42 from Soil and Water Conservation District. From the time the producer walks  
43 through the door and explains the problem and they do the application and do an  
44 initial site assessment and forward the application to the Disbursement and  
45 Oversight Committee, go back and make sure the producer has done what he  
46 said he would do, eight hours at fifteen dollars an hour for your average

1 Conservation District Manager or Conservation Specialist, that's how we arrived  
2 at that figure.

3 MR. WATKINS: I assume the intent is to come back regularly  
4 for more checks?

5 MS. WALLACE: No, sir. We have to demonstrate the feasibility  
6 and validity and the merits of this program so much with this pilot program.

7  
8 MR. WATKINS: I'm saying you'd come back for regular checks.

9 MS. WALLACE: Certainly, we believe in the merits of the  
10 project, as do eighteen other counties.

11 MR. WATKINS: Is there one standard by which this would be  
12 judged successfully, the standards you have put in here. Would these be  
13 accepted as the standards so you would not have to come back for more money?

14 MS. WALLACE: There's no doubt in my mind we will achieve  
15 those goals. These are objective things that can be measured. The sale of  
16 Virginia certified cows. In the projected economic benefit that we exhibited to  
17 you all we said 10% of these cattle will be sold Virginia quality assured and  
18 probably more realistically it will be 50%.

19 MR. WATKINS: You say the economics of this thing being a  
20 good project built on these standards here?

21 MS. WALLACE: Yes.

22 MR. WATKINS: So, if these standards are not achieved.

23 MS. WALLACE: Yes.

24 MR. WATKINS: If the standards are not achievable in the  
25 demonstrations it wouldn't make sense to go to the other counties with the  
26 project? Maybe that's something you should ask staff to monitor down the road.

27 DELEGATE JOHNSON: If it's not successful she may come  
28 back. If it's not successful I don't think the Committee can approve it.

29 MR. STALLARD: Mr. Chairman, I wanted to share with other  
30 Commission members. I think what they're trying to do has been done in  
31 Kentucky for the past several years with their Tobacco Commission. And I  
32 don't know if people were aware of that. I wish southwest could share in this  
33 pilot program. We don't have anyone to deal with the money. Hopefully next  
34 year southwest can do a similar program. What they're trying to do is already  
35 being done in Kentucky, virtually the same program.

36 MR. BRYANT: Ms. Wallace, you said your organization in  
37 Halifax would administer the fund?

38 MS. WALLACE: Yes, sir.

39 MR. BRYANT: How would you be tied in with Soil and Water?

40 MS. WALLACE: I wouldn't expect a producer from your county  
41 Pittsylvania to drive all the way to my office in downtown Halifax to make an  
42 application. I prefer they go to a local farm service agency and see a Soil and  
43 Water Conservation Specialist who can take the application there. From that  
44 point all of those applications can be forwarded to what we're calling a DOC,  
45 Disbursement Oversight Committee and that will be composed of representatives  
46 from all the counties. Then my office would issue the check so we would

1 actually be the fiscal agency but we feel that the SOCD should be compensated  
2 in some manner for their role in that, does that answer your question?

3 MR. BRYANT: You're saying that conservation should be  
4 responsible for verification?

5 MS. WALLACE: To a degree. If you read in the Program  
6 Guidelines Disbursement Oversight Committee has final say on everything.  
7 Final say on approval of the process or the amount requested. If you read the  
8 guidelines it'll give you as a member of the Tobacco Commission the authority  
9 to go to one of these farms and see this practice.

10 MR. BRYANT: But I want it done.

11 MS. WALLACE: Yes, sir. I believe the Disbursement Oversight  
12 Committee, I think we can ensure that it will be and it's certainly a goal of mine  
13 anyway.

14 MR. WATKINS: Who selects the Committee?

15 MS. WALLACE: It's basically from around the county,  
16 extension agents. I fully recommend maintaining that membership and possibly  
17 consult with soil and water. Your elected officials, your elected director, local  
18 water and soil conservationists.

19 MR. WATKINS: On your staff who gets to appoint that  
20 Committee? Who selects the Committee?

21 MS. WALLACE: I guess we assume it's the Committee that's  
22 been working on this thing for the last nine months extension agent and myself.

23 MR. BRYANT: Have you considered tying this in with the  
24 Advanced Learning Center in Danville in any way and that's a project that is  
25 dear to me. We put a lot of effort and money into it. Since this is so regional in  
26 scope, this project you're trying to put forward that if we could tie that in, in  
27 some way.

28 MS. WALLACE: We've had some preliminary discussions about  
29 that and we're very receptive to doing it that way as well as the Research Station  
30 in Blackstone.

31 MR. MORGAN: Joe Morgan. Martha mentioned this that it  
32 might be good for the Committee for us to submit names for the Committee to  
33 this Committee as an oversight so we've got an agreement and we'll feel  
34 comfortable with the people doing that. Whatever works we're happy to work  
35 together with you.

36 MR. WATKINS: But who appoints that person?

37 MS. MOORE: Mr. Chairman, Martha Moore. I think that could  
38 be a function of like how this Commission was set up and the legislature. That is  
39 through the agreement you set up what is the mechanism for the nominating  
40 process. If there is a vacancy or term limit then you set it up as a process  
41 underneath the provision of this Committee making the appointment.

42 MR. OWEN: Mr. Chairman, Ms. Wallace, I'm impressed with  
43 your program and your working incentives and the size and quality of the herd  
44 can be increased. What work has been done or what information is available to  
45 tell us about the demand side and the market for beef cattle. Mr. Stallard  
46 mentioned herds being grown in Kentucky etc. I think we've learned that

1 always producing more is not necessarily the best. What do we know about  
2 demand if you're going to increase this herd, is there a market that will reward  
3 that effort?

4 MS. WALLACE: Our project effort is not so much a proponent  
5 of increasing the size of the herd as the quality of the herds. Just as the tobacco  
6 industry in Virginia the National Beef Industry is facing some of the same  
7 changes as tobacco. Consumer driven, feedlot and packers are no longer happy  
8 with mediocre cattle. They want verified or health certified cattle, they want  
9 genetic certified cattle. Consumers want a tender steak and you get that through  
10 proper management of a herd and also genetics. If I may I'd like to offer Mike  
11 McDowell and he's from Halifax County and he can answer your questions  
12 better than I can.

13 MR. MCDOWELL: I am Mike McDowell from Halifax. To  
14 answer that question directly, we don't have a sheet of paper with peoples names  
15 on it listed that state if we increase the numbers but I'll disagree with Linda just  
16 a little bit. Yes, we expect to expand the numbers. I'll offer as a reference and I  
17 talked to an individual in southside this week and his statement to me was, Mike  
18 if you're going to be in the game down the road and if you're going to sell cattle  
19 you have to be able to present large numbers. As this industry consolidates and  
20 there's a tremendous amount of consolidation going on at the packer. We as  
21 producers will have to consolidate to stay in the game. Meaning that through  
22 different kinds of marketing alliances, each individual cannot grow enough to  
23 the point that he will not have a tractor-trailer load to carry to sell. To keep our  
24 small growers viable everyone's going to have to consolidate. It's just the name  
25 of the game. We're always going to have risks and we're going to have to deal  
26 with rises and falls in terms of inventory numbers and demand.

27 Beef for the first time in fifteen years has shown an increase and those are  
28 markets that we'll have to address. But I think through projects like this while  
29 this industry is undergoing change and if we in Virginia can get our people  
30 aligned so we can offer the numbers we'll be way ahead with this effort.

31 MR. OWEN: I didn't see this consolidation aspect in the  
32 proposal. The marketing, I don't see that reflected.

33 MR. MCDOWELL: I guess it's not written in what Linda  
34 referred to about those who have been working toward this project. That's been  
35 a driving factor due to the fact that some are already involved in different  
36 alliances and more alliances are being formed every day. I think this project is  
37 looked at as kind of a catalyst to stimulate cooperation among different growers.

38 UNIDENTIFIED: I'd like to say one thing if I may. Mr.  
39 Watkins, you mentioned about documenting 10%. Nothing happens very fast in  
40 beef cattle business. We're dealing with a nine-month gestation period and so  
41 forth. We will not be able to come back in twelve months and say we have  
42 improved the pregnancy rate by 10%. If you're going to improve it you're going  
43 to have to get vaccinations and those types of things, which can only be done  
44 through, improved facilities in southside Virginia. It's a thing that will happen.

45 If you've been fortunate enough to see your children every night when  
46 you go home you'll probably never see them grow. When you compare what

1 they look like today with the picture ten years ago you can see quite a bit of  
2 improvement and that's the same thing we will see. I promise you, you will see  
3 this through improved management practices and will be the things such as  
4 you're talking about. We won't be able to see them in twelve months.

5 MR. WATKINS: How long do you think it will take to achieve  
6 your goals?

7 UNIDENTIFIED: To achieve those, something like to improve  
8 conception rate three to five years. Remember if I buy a bull today and breed it,  
9 it's nine months before a calf is born and another twelve months before we can  
10 document his weight gain and performance. But you can make dramatic change  
11 depending on where you're starting from with one generation. We have the  
12 technology available in the beef cattle industry to make those selections.

13 DELEGATE JOHNSON: Any other questions? All right, staff  
14 recommends funding this program.

15 MR. PFOHL: Yes, the staff recommends funding the program  
16 and the proposal shows strong support, matching funds, professional  
17 administration and potential for expansion across the tobacco region. Consistent  
18 with the long-range plan.

19 DELEGATE JOHNSON: Go to the next one.

20 MR. PFOHL: The Heart of Appalachia Tourism Authority has  
21 presented an amended request. I'll try to explain what that means. The title is  
22 Appalachian Legacy Marketing Tourism through Heritage Products. It's  
23 amended because the original request came through the Economic Development  
24 Grant Program and requesting three hundred thousand dollars in February.  
25 When the principal elements of this request was prepared a line of food products  
26 was prepared to be sold at the Smithsonian Folklife Festival in June and July in  
27 the mall in Washington D.C. Products were then sold through a website, travel  
28 centers and retail outlets. In order to try to expedite the award of these funds and  
29 at that point it was anticipated it would go to Agribusiness and it was anticipated  
30 Agribusiness wouldn't have funding until July. The staff recommended this  
31 request be deferred to the Special Projects Committee and they considered it in  
32 April and referred it back to Agribusiness. That has presented some time issues  
33 in regard to the Smithsonian Folklife Festival so they have submitted a revised  
34 request. In the back of your handout with the application is a budget page that  
35 shows how they propose to use the Commissions funds. In short, supplies and  
36 materials fifty thousand dollars and contractual services one hundred thousand.  
37 The total request is one hundred fifty thousand dollars. This will help farmers  
38 grow alternative crops and assist entrepreneurs in producing jellies, jams and dry  
39 food mixes from the Dickenson County Career Food Service Classroom Kitchen.  
40 The Executive Director of the Tourism Authority is here to respond to your  
41 questions. Ms. Geneva O'Quinn.

42 MS. O'QUINN: My name is Geneva O'Quinn part of  
43 Appalachian Tourism Authority and these are a couple of the products that are  
44 being produced.

1 DELEGATE JOHNSON: Before we start let me ask you a  
2 question, have you approached people about getting a loan? I believe the  
3 Tobacco Commission approved a one million dollar program.

4 MS. O'QUINN: No, we have not. As Tim said we originally  
5 submitted a grant with hopes of getting the project ready to go to the  
6 Smithsonian in July.

7 DELEGATE JOHNSON: So, it's too late then?

8 MS. O'QUINN: We're still taking some products up there.  
9 Basically what we'd like the money for now is to develop products and market  
10 them. We have a lot of interest out there. Cracker Barrel has contacted us about  
11 potentially putting some products in their stores and try to place products across  
12 the country and the high-end gift market is the market we're going to try to  
13 explore. Currently we have six businesses that are producing these products and  
14 six farmers that are growing products specifically for this. We're hoping we'll  
15 become more recognizable across the country.

16 MR. WATKINS: How do you set your retail prices?

17 MS. O'QUINN: We charge a price to the Smithsonian and they  
18 put a price on it that'll sell for about eight dollars.

19 MR. WATKINS: Per jar?

20 MS. O'QUINN: Some of them sell for eight and some for six.  
21 Some of the products are more difficult to grow. We have one vendor that picks  
22 wild berries and those are not available as easily. We had a feasibility study  
23 done on the program and the products. That can help us to define the demand  
24 that is out there and pricing outlines. We'll charge a little more up there than we  
25 would because there's one point five million people coming through there.

26 MR. WATKINS: You're asking us to pay for the production of  
27 the products and proceeds from that go to who?

28 MS. O'QUINN: The proceeds from sales will go to the Tourism  
29 Authority to market the products and grow the program, all the proceeds go back  
30 into that.

31 MR. WATKINS: Growers, twenty thousand dollars for growers?

32 MS. O'QUINN: They're selling it to us at a wholesale price and  
33 we market it and then they sell more products to us.

34 MR. WATKINS: The profits go back to who?

35 MS. O'QUINN: They sell their products they increase their  
36 profit. The other profit goes into the program to grow the program more and  
37 bring more vendors into it.

38 DELEGATE JOHNSON: How much are you paying Dr. Stanley  
39 for his endorsement?

40 MS. O'QUINN: 10%.

41 DELEGATE JOHNSON: What doesn't he pay you, your  
42 enterprise? Seriously, it looks to me like if he wants to be generous and help the  
43 community that he'd be willing to contribute a little bit to the project rather than  
44 hanging it on the farmers back.

45 MS. O'QUINN: He's allowed us to use his name.

46 DELEGATE JOHNSON: He's getting paid for it.

1 MS. O'QUINN: Yes. One of the reasons the Tourism Authority  
2 got started in the project and we're working on a new Ralph Stanley Museum in  
3 Dickenson County. It's a two and a half million-dollar project and he's donated  
4 that and all his memorabilia to that project. One of the things we looked at to  
5 increase visitation to the museum and gift shop sales, he's endorsed these  
6 products. Even though he's getting money back from this project he's donated  
7 everything about his career and life and music to the museum.

8 MR. BRYANT: In the beginning of your proposal you said the  
9 Authority created by an act of the General Assembly. How much funding have  
10 you received from the General Assembly?

11 MS. O'QUINN: That funding source is half of the civil penalties  
12 paid on mine violations and as those have decreased over the years so has that  
13 revenue source for us. In past years we received small amounts from the  
14 General Assembly. I think we received fifty thousand dollars one year and  
15 seventy five thousand one year but it was about three years in a row.

16 MR. BRYANT: Is this the largest budget you've had since  
17 you've been in operation?

18 MS. O'QUINN: No.

19 MR. BRYANT: You're looking for a lot of money here.

20 MS. O'QUINN: We originally wanted three hundred thousand  
21 and some of that was to purchase equipment for production. We amended the  
22 grant because we'd like to see that happen and we'd like to see this marketing  
23 phase become profitable and then as it becomes profitable our center in  
24 Dickenson County and this will just help the area in general and we will have to  
25 replace some of the mechanical equipment.

26 Over the years the Tourism Authority has received from the state,  
27 Virginia Tourism Corporation a marketing grant and we received that three years  
28 in a row and we used it to market in southwest Virginia. One year we received  
29 four hundred thousand. This is not our largest budget. You can't use the  
30 tobacco money for operating.

31 MR. BRYANT: It's alarming to me that you're showing you  
32 raised one hundred thousand dollars when you were originally seeking three  
33 hundred thousand.

34 MS. O'QUINN: Yes.

35 DELEGATE JOHNSON: I noticed some of the funds are for  
36 legal assistance. Are you paying attorneys for pro bono work?

37 MS. O'QUINN: It wouldn't be pro bono, trademark and  
38 registration.

39 DELEGATE JOHNSON: Who owns the trademark?

40 MS. O'QUINN: The Tourism Authority.

41 DELEGATE JOHNSON: How much do you pay for that?

42 MS. O'QUINN: To get a trademark, I don't think we've got an  
43 estimate yet from Penn Stuart who are the attorneys filing for us in Abingdon.

44 DELEGATE JOHNSON: Any other questions?

45 MR. PFOHL: Mr. Chairman, this proposal shows creative  
46 partnership, entrepreneurship, potential for sustainability through revenue

1 generation and potential for expansion and consistent with the long-range plan.  
2 We suggested that possible consideration of this is that a structured a portion of  
3 this offering is due to the revenue generation aspect of this business model. At  
4 this point we're not sure to what extent the loan would be feasible in this case.

5 MR. WATKINS: Is this something that we want to replicate for  
6 the Tourism Authority for southside and southwest? Would you be coming back  
7 next year for another check?

8 MS. O'QUINN: I wouldn't be coming back. We discussed with  
9 John Kilgore in Scott County for the possibility of placing a production center  
10 there for another line of product if this one was profitable.

11 DELEGATE JOHNSON: If you get another endorsement and  
12 have 10% there and 10% here on this one you don't have anything.

13 MS. O'QUINN: I can tell you from what we've seen so far the  
14 fact that Dr. Ralph Stanley is willing to sell us his endorsement, he made the  
15 product what it is. People are showing interest from the Country Music Hall of  
16 Fame and all over the country.

17 DELEGATE JOHNSON: Next.

18 MR. PFOHL: The bottom of page three of your handout is a  
19 project that we alluded to before. Virginia Small Fruit and Specialty Growers  
20 Association, promoting a vibrant, Virginia small fruit industry. The request is  
21 for two hundred fifty eight thousand two hundred dollars and a request for two  
22 years of funding to continue to expand product development, crop production,  
23 marketing and grower demonstrations focusing on bramble and blueberry  
24 cultivars. The application indicates that these crops could rival tobacco for  
25 income per acre. The project would be largely subcontracted to Virginia Tech's  
26 Southern Piedmont Agriculture Research Station in Blackstone and a private  
27 marketing firm.

28 Other sources of funding. Total project cost is five hundred thirty four  
29 thousand dollars over two years. Virginia Tech will provide a match of one  
30 hundred sixty five thousand six hundred for salaries of researchers and  
31 technicians, research space and so forth. The association or applicant here  
32 would provide an inclined match of one hundred ten thousand four hundred  
33 dollars for professional and field labor, use of land, data collection and reporting,  
34 equipment etc.

35 DELEGATE JOHNSON: What is the staff recommendation?

36 MR. PFOHL: The staff recommends funding the request. Good  
37 long-term prospects for diversification and income generation through  
38 partnership of statewide growers association and university expertise and funds  
39 and consistent with the long-range plan. We support the request.

40 DELEGATE JOHNSON: Questions?

41 MR. OWEN: What do you know about the association, Virginia  
42 Small Fruit and Specialty Growers Association?

43 MR. PFOHL: The association is headquartered in Madison. The  
44 Officers are out of the tobacco region. There's someone here to speak on it.

45 MS. CARSON: My name is Lynn Carson. I am the Secretary  
46 Treasurer of the organization. The Virginia Small Fruit and Specialty Growers

1 formed themselves last summer and we're just getting under way which is why  
2 you never heard of us before. I'm here because the writer of the grant and our  
3 Chairman happens to be in Maine right now. If I can answer any questions I'll  
4 be happy to do so. We started out with a few members and we have some  
5 members throughout the state. Some of them are within southside and southwest  
6 Virginia.

7 MR. OWEN: How many members are there at the present time?

8 MS. CARSON: I think at the present time somewhere in the  
9 neighborhood of fifty. It's very new and it was formed at Blackstone last  
10 summer and we had a couple of meetings where we sought members.

11 MR. OWEN: I'm concerned that as far as the merits of the  
12 project, is this a trade association or is there someone available to supervise this  
13 project, you don't have a large track record.

14 MS. CARSON: No, we don't have a track record at all. We have  
15 gotten our 501(c) 5 status from the Internal Revenue Service. We haven't gotten  
16 our association bylaws put together. We are planning to have a meeting in  
17 Blackstone in August of this year. We're from many parts of the state and the  
18 Officers don't have to be from southside or southwest. We feel very strongly  
19 that Virginia could fill a market that is not being met right now. Much of the  
20 fruit that appears in grocery stores here comes from California and the only  
21 reason for that is that we can't provide coverage throughout the season. If we  
22 can fund the development that would span these seasons and encourage people  
23 to have some means of doing this and producing these products and encourage  
24 people to grow crops to be able to supply fruits. If we can do that we can beat  
25 the prices of the California crops with much better ones because they won't have  
26 to be shipped.

27 One of the goals we have is this would go a long way to helping people  
28 who grow fruit. People that grow these fruits don't have hundreds of acres and  
29 we could have a means to encourage people especially in terms of developing  
30 fruit. A few people have done very well with that. The wine industry in  
31 Virginia has grown a great deal and been very successful. I think the fruit  
32 growing industry could do likewise and it would be a value added thing that  
33 would benefit the state and benefit the people who are growing these crops.

34 MR. WATKINS: Your application said continuation of research.

35 MS. CARSON: It needs to be expanded. There is research going  
36 on at the present time. There are people out there who are trying to develop the  
37 cocoa bar and it needs to be tested and there are commercial concerns that are  
38 interested to expand this and that has to do with the growing season. It's been  
39 started but it can't expand and it can't continue without funding. With budget  
40 constraints that research will be cut back.

41 MR. WATKINS: My question is if we substitute these funds for  
42 state funds that are already being done and just shifted with the research being  
43 done. What would be done new that's not being done now?

44 MS. CARSON: The demonstrations we would set up in southside  
45 and southwest would have to be postponed and not grown on location at the  
46 present time. The encouragement of people as far as I know at the present time,

1 there's no organized campaign to take advantage of some of the other benefits of  
2 these markets and that's not being done.

3 DELEGATE JOHNSON: Any other questions? If not, I believe  
4 the staff recommended funded. Next.

5 MR. PFOHL: In reviewing the application, the staff felt this  
6 project was entirely educational in nature.

7 DELEGATE JOHNSON: Do I have a motion that we transfer  
8 that item to the Education Committee?

9 MR. WATKINS: So moved.

10 DELEGATE JOHNSON: All in favor indicate by saying Aye  
11 (ayes) opposed (no response) so moved, so ordered. Virginia Tech Agriculture  
12 and Education Department. Next. Last one on page four.

13 MR. PFOHL: Virginia Tech Department of Forestry application  
14 for a project entitled Information Technology for Virginia Tree Farmers. A fifty  
15 thousand dollar request to enhance an existing computer model to calculation of  
16 the after tax benefits for crop management decisions, and to develop and conduct  
17 two seminars that would introduce the computer model and discuss the  
18 economics of wood crop production management. Particularly targeting fast  
19 growing loblolly pine, which would be the targeted crop. Total project cost is  
20 one hundred five thousand dollars and funding support would be provided from  
21 the Virginia Agriculture Counsel fifteen thousand and Loblolly Pine Growth and  
22 Yield Research Cooperative twenty seven thousand.

23 DELEGATE JOHNSON: Questions? Staff recommend that this  
24 be funded?

25 MR. PFOHL: Yes, sir with the exception of the fact that there  
26 were two seminars by purchasing six thousand dollar laptop projection system is  
27 beyond what would be needed to accommodate this request.

28 MR. WATKINS: I think Virginia Tech has a couple of computers  
29 that they can loan them.

30 DELEGATE JOHNSON: That's the end. Is there anyone here  
31 that has not been heard from?

32 MR. WATKINS: Do we know if anybody's here from southwest  
33 or southside?

34 MR. PFOHL: I believe one of the seminars was the Patrick  
35 County and the Reynolds Homestead and they are open but there were  
36 suggestions for another site.

37 DELEGATE JOHNSON: Is there anyone here that has not been  
38 heard from that would like to be heard? All right. Now we'll go back to number  
39 one and decide on number one that's only ten thousand. That had to do with the  
40 greenhouse. Number one, would you comment on that? The staff recommended  
41 that it be funded and there was some question and we passed it by.

42 MR. PFOHL: The staff recommended that it be under the  
43 umbrella of the Small Food Growers Association Project.

44 DELEGATE JOHNSON: Mr. Ferguson, do you have any  
45 suggestions on that?

1 MR. FERGUSON: I think you would be more comfortable  
2 putting it under the umbrella of the Virginia Tech Blackstone Research Project.  
3 DELEGATE JOHNSON: Can that be done, can we do that?  
4 MS. CARSON: I don't see any reason why not.  
5 MR. PFOHL: They're the applicant on the project, subcontracted  
6 for Virginia Tech at Blacksburg.  
7 DELEGATE JOHNSON: Can it be included in that?  
8 MR. PFOHL: The applicant says it can.  
9 DELEGATE JOHNSON: Then that will solve this problem.  
10 Okay. We decided that we would vote as a block, all that the staff had –  
11 MR. WATKINS: No.  
12 DELEGATE JOHNSON: I'm talking about voting as a block on  
13 all of them that the staff had approved and requested funding. Now, if there's  
14 anyone that wants to take an item out of the block we can vote on that separate,  
15 then let's take it out. Is there any member of the Committee that has one in here  
16 that you want voted on separately? Then let's take it out of the block.  
17 MR. WATKINS: Take the first one out.  
18 DELEGATE JOHNSON: Take the first one out.  
19 MR. FIELDS: We've already taken it out and put it with Virginia  
20 Small Fruit and Growers haven't we?  
21 MR. WATKINS: We said it ought to be under that umbrella. We  
22 haven't said we were going to pass it.  
23 DELEGATE JOHNSON: Is number one the only one you're  
24 going to take out?  
25 MR. OWEN: Tourism, Heart of Appalachia Tourism.  
26 DELEGATE JOHNSON: The Heart of Appalachia Tourism is  
27 out.  
28 MR. BRYANT: Virginia Tech Tree Farmers.  
29 DELEGATE JOHNSON: That's the last one?  
30 MR. BRYANT: Yes.  
31 DELEGATE JOHNSON: The others. That's the Appalachian  
32 Sustainable Development Clinch Mountain Farmers Inc., Clinch Mountain  
33 Farmers Inc. two, Halifax County Niche Marketing Specialists, withdrawn.  
34 Halifax County enhancing the growth of beef production in southside Virginia  
35 five hundred thousand dollars.  
36 MR. WATKINS: If they don't have a problem with that  
37 amendment to pick that panel included then we should look at it.  
38 DELEGATE JOHNSON: Do you want to take it out of the block?  
39 MR. WATKINS: No, as long as they agree.  
40 DELEGATE JOHNSON: Let the record show that they agreed.  
41 Okay. Then the Virginia Small Fruit and Specialty Growers Association,  
42 Virginia Tech, those are all on the block.  
43 MR. FIELDS: No, we took that out.  
44 MR. PFOHL: Referred to education.

1 DELEGATE JOHNSON: That was referred to the Education  
2 Committee. Is there any question on what we're voting on now? We're voting  
3 on those that are in the block.

4 MR. PFOHL: Mr. Chairman, one question on the southside beef.

5 MS. MOORE: Is it agreeable to the subcommittee that the  
6 appointing committee would be the subcommittee versus the entire  
7 Commission? You are the ones that have the expertise in reviewing the project  
8 as far as trying to pick the most qualified individual to serve versus the entire  
9 Commission.

10 DELEGATE JOHNSON: That's fine.

11 MR. WATKINS: We don't want to pick them we just want to  
12 know the process.

13 MS. MOORE: So we could develop the process and then bring it  
14 back to you, all right. I just want to be clear.

15 MR. FIELDS: Mr. Chairman, they're going to develop the  
16 process.

17 MR. WATKINS: I said leave it in as long as they agreed.

18 DELEGATE JOHNSON: Okay. Are we ready to vote on the  
19 block? Is there any discussion on the block that we're voting on? If not, do we  
20 have a motion that we vote on the block?

21 MR. WATKINS: So moved.

22 MR. FIELDS: Second.

23 DELEGATE JOHNSON: It's so moved and we have a second on  
24 the motion. Is there any discussion? All in favor let it be known by saying Aye  
25 (ayes) opposed no (no response) the ayes have it. Now, we'll go back to number  
26 one for ten thousand dollars to the Appalachia Sustainable Development. Do we  
27 have a motion that that be funded? Hearing none –

28 MR. FIELDS: Where do we stand with that Mr. Chairman? Did  
29 we include that under Small Fruit or where do we stand?

30 DELEGATE JOHNSON: We already voted on the Virginia  
31 Small Fruit and Specialty Growers Association that was in the block.

32 MR. FIELDS: Are you people going to accept this, the number  
33 one problem here in the small growers?

34 MS. CARSON: I think I can speak for the organization that we  
35 have no problem demonstration. However, when you come back to the money  
36 that's not included in our budget. We can administer the funds but our budget  
37 doesn't include ten thousand dollars.

38 MR. BRYANT: I think the question is, is Blackstone willing to,  
39 that's in southside Virginia. Where does he live?

40 MS. CARSON: Madison County. Tony is stationed at  
41 Blacksburg and somebody working as our advisor more or less and he'd be in  
42 that area. I can see where there would not be a problem there. We have money  
43 in our budget for our research.

44 DELEGATE JOHNSON: Let me shorten this, we've had no  
45 motions so there's nothing that we can discuss so let's move on to the next one.  
46 The next one is the three county pilot project five hundred thousand dollars.

1 MR. WATKINS: That was in the block.

2 DELEGATE JOHNSON: Yes, that was in the block.

3 Appalachian Tourism. Do we have a motion that funding be granted for that?

4 MR. WILLIAMS: So moved.

5 DELEGATE JOHNSON: We have a motion, do we have a  
6 second?

7 MR. FIELDS: Second.

8 DELEGATE JOHNSON: Discussion.

9 MR. OWEN: Mr. Chairman, I think we have three proposals to  
10 report to or support small vegetable and fruit growers in southwest Virginia  
11 including Wise County. Clinch Mountain, Appalachian Sustainable  
12 Development Project, that was six or seven hundred thousand dollars and a third  
13 project that supports small growers plus some microprocessors and packers. I  
14 think the additional money we don't get much bang for the buck one hundred  
15 fifty thousand dollars to put in there. I think we've already got two projects  
16 supporting the small vegetable growers and I think that's enough.

17 MR. WILLIAMS: I don't think Dickenson County is included in  
18 the other projects, it may be included but the surrounding counties, it's not  
19 spelled out in the other projects. Dickenson is an isolated area to say the least.  
20 You have a whole lot of smaller producers in the surrounding area and counties.  
21 So, if there's something there that helps the producers then I'm in favor of it.

22 MR. WATKINS: The problem is seven farmers, seven people  
23 and twenty thousand of costs per person for part time income. It's a small  
24 amount of money to approve. If we approve this project we can expect to see  
25 twenty other tourism projects come about. I think some of these jams and jellies  
26 will be so high you can't make it on a retail shelf. I can't see selling this for  
27 eight dollars. I don't see the long-term benefit of this product.

28 MR. WILLIAMS: Mr. Watkins may be right but these are unique  
29 products and I feel this is something that would be beneficial and it's not just the  
30 growers that would be benefiting but it's the tourism industry as well.

31 MS. O'QUINN: If I may, I was just going to make a point to Mr.  
32 Watkins that the Smithsonian is going to charge those prices up there and the  
33 general retail price will probably be four dollars and ninety-five cents or five  
34 dollars and ninety-five cents depending on what the retail person puts on it.  
35 We'll sell it wholesale for three dollars a jar generally.

36 MR. FIELDS: I call for the question.

37 DELEGATE JOHNSON: The question is called for. All in favor  
38 of approving the request for funding one hundred fifty thousand dollars for the  
39 Heart of Appalachia Tourism Authority let it be known by raising your right  
40 hand. Those opposed. The vote is seven ayes and three opposed. I voted for it,  
41 I just don't think it's right to pay someone 10% when we're trying to help the  
42 community and take that away from the farmer.

43 MS. O'QUINN: I'll take it back and address it.

44 DELEGATE JOHNSON: I'd like to say one thing, that this is the  
45 best report I've ever seen and I thank everybody who helped put it together.

46 MR. PFOHL: The last item the tree farmers that's still pending.

1 DELEGATE JOHNSON: The last one Virginia Tech Department  
2 of Forestry. Do we have a motion on that?

3 MR. OWEN: So moved.

4 DELEGATE JOHNSON: A motion is made do we have a  
5 second?

6 MR. COURTER: I'll second it to get it into discussion here.

7 DELEGATE JOHNSON: The motion has been made and  
8 seconded. Any discussion?

9 MR. PFOHL: We have Dr. Burkhardt here from Virginia Tech.

10 MR. BURKHARDT: Mr. Chairman, I am Harold Burkhardt  
11 Professor in the Department of Forestry at Virginia Tech. I'd be glad to answer  
12 any questions you might have about this proposal.

13 MR. BRYANT: I've been planting vines on my farm for years  
14 and other people have to. Everything I ever wanted to know I go to the State  
15 Forestry facility in Pittsylvania County and they would give me all the  
16 information. They come out and give you the cost to do everything with them. I  
17 don't understand why we need to spend fifty thousand dollars from this  
18 Commission to help hold seminars and study this.

19 MR. BURKHARDT: This particular information that is this  
20 computer technology would be available to the Virginia Department of Forestry  
21 consultants and others. It would be available to land owners who came to a  
22 particular seminar. This technology is not readily available in terms of its most  
23 current form with regard to its culture. That's what we're proposing to do is put  
24 it in the hands of land owners so they can make decisions about whether or not  
25 they wish to put some of their land to that particular use.

26 MR. BRYANT: How do you plan to get the system in a seminar.

27 MR. BURKHARDT: We would advertise this and we would  
28 hope to get a good attendance. We haven't done this specifically in the past and  
29 I can't tell you what kind of response we might receive but we would advertise  
30 widely. One of the biggest frustrations with regard to trying to get appropriate  
31 forest management in the state is getting information out to the landowner who  
32 would use that information and obtain it. Most people do not. Less than 50% of  
33 the forestland in the state have any sort of management plan. Most of it is not  
34 managed accurately for forest production and it can be. It can be a competitive  
35 crop economically with many other land uses and particularly in Piedmont,  
36 Virginia. There is an array of landowners out there that we may be able to reach.

37 DELEGATE JOHNSON: Any other questions? I have a motion  
38 and it's been seconded. All in favor let it be known by saying aye (ayes)  
39 opposed no (no). That's five ayes and five opposed. It fails.

40 This Committee will recommend to the Full Commission when we meet  
41 at Longwood University on July 10<sup>th</sup> the action that we have taken today.

42  
43 PROCEEDINGS CONCLUDED

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46 CERTIFICATE OF THE COURT REPORTER

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I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the Agribusiness Committee meeting when held on Friday, June 13, 2003 and Friday, June 13, 2003 at the Hotel Roanoke and Conference Center, Roanoke, Virginia.

I further certify this is a true and accurate transcript to the best of my ability to hear and understand the proceedings.

Given under my hand this    day of    , 2003.

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Medford W. Howard  
Registered Professional Reporter  
Notary Public for the State of Virginia at Large

My Commission Expires:  
October 31, 2006