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10 **Agribusiness Committee Meeting**

11 Thursday, December 8, 2005

12 1:00 p.m.

13  
14 Multi-Purpose Room  
15 Reynolds Homestead Continuing Education Center  
16 Critz, Virginia  
17

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19 **APPEARANCES:**

20 The Honorable Joseph P. Johnson, Jr., Chairman

21 Mr. Clarence D. Bryant, III, Vice Chairman

22 Mr. Fred M. Fields

23 Mr. Buddy Mayhew

24 Mr. John M. Stallard

25 Mr. Thomas E. West  
26

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28 **COMMISSION STAFF:**

29 Mr. Ned Stephenson, Acting Executive Director

30 Mr. Timothy Pfohl, Grants Program Administration Manager

31 Ms. Britt Nelson - Grants Coordinator, Southside Virginia

32 Ms. Sara Griffith - Grants Coordinator, Southwest Virginia

33 Ms. Stephanie Wass, Director of Finance  
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36 **DELEGATE JOHNSON:** The Virginia Tobacco  
37 Indemnification and Community Revitalization Commission Agribusiness Committee  
38 will now come to order. It is now 1:00 p.m., December 8, 2005, The Reynolds  
39 Homestead Continuing Education Center at Critz, Virginia.

40 I want to welcome all of you here. I understand and know that bad  
41 weather is coming in from the west, and the folks in Southwest Virginia need to get back  
42 home as fast as possible. We have plenty of time to take care of the business that needs  
43 to be taken care of it.

1 I welcome all of you here. We're here to listen to what you have to say  
2 and to make some decisions. I'll ask our Acting Executive Director to call the roll.  
3 MR. STEPHENSON: Commissioner Courter?  
4 COMMISSIONER COURTER: (No response.)  
5 MR. STEPHENSON: Mr. Fields?  
6 MR. FIELDS: Here.  
7 MR. STEPHENSON: Mr. Jenkins?  
8 MR. JENKINS: (No response.)  
9 MR. STEPHENSON: Mr. Mayhew?  
10 MR. MAYHEW: Here.  
11 MR. STEPHENSON: Mr. Stallard?  
12 MR. STALLARD: Here.  
13 MR. STEPHENSON: Mr. West?  
14 MR. WEST: Here.  
15 MR. STEPHENSON: Vice Chairman Bryant?  
16 MR. BRYANT: Here.  
17 MR. STEPHENSON: Chairman Johnson?  
18 DELEGATE JOHNSON: Here.  
19 MR. STEPHENSON: We have a quorum. I'll also note  
20 that some of you may not know, but Claude Owen, a member of this Committee, because  
21 Claude resigned his seat on the Commission the other day, and he's moved his home to  
22 Richmond, and he no longer will be a resident for the tobacco region, and so for that  
23 reason he has stepped down.  
24 DELEGATE JOHNSON: Do we have sufficient members  
25 for a quorum?  
26 MR. STEPHENSON: We do, yes.  
27 DELEGATE JOHNSON: Since we have a quorum, we can  
28 now conduct the business of the Agribusiness Committee, and we'll move forward.  
29 First, we need a motion to approve the Minutes, the October 7, 2004  
30 Minutes.  
31 MR. MAYHEW: I so move.  
32 DELEGATE JOHNSON: It's been moved and seconded,  
33 any discussion? All in favor, let it be known by saying aye? (Ayes.) Opposed, no? (No  
34 response.) The ayes have it, so ordered.  
35 Next on the Agenda is a determination of base year for payments in 2006.  
36 Clarke Lewis, welcome.  
37 MR. LEWIS: Mr. Chairman and members of the  
38 Commission, I'd like to first give you a brief update since our last Commission meeting  
39 as far as where we are for the 2005 payments. Last week we mailed out a number of  
40 additional claims for a total amount of \$648,513.00. As of 2005, we've sent out, or we've  
41 paid out approximately 45,000 claims, totaling about 18.5 million. We believe actually  
42 we have approximately 200 to 250 claims remaining. So with the database change this  
43 year, we're at a point where we have a very small amount left to be resolved.

1 We are preparing for this year's payout, which brings us to the issue at  
2 hand as to whether or not the Commission will determine to change the database for  
3 producers from the '98 base year to '99. As you know, over the last two years in 2004 the  
4 Commission elected to change the base year for the burley quota owners from '98 to '99.  
5 And then this past summer we did the flue-cured quota owners a similar thing, changing  
6 the base year from '98 to '99 for the flue-cured quota owners.

7 As you sit here today, and you look at my database, you will see that flue-  
8 cured quota owners and burley quota owners, we are on a payout for '99. Producers are  
9 people or individuals who produced tobacco or grew tobacco or contributed to production  
10 in '98.

11 I would ask Stan Duffer, who has been working with us from the  
12 beginning, to give a very brief overview of the decision as to the '98 base year and where  
13 we are at this time. Stan.

14 MR. DUFFER: Thank you, Clark. Members of the  
15 Commission, some of you were involved in this from the beginning. Phase II you will  
16 recall the first payout we had of any kind of money, Phase II made a payment in  
17 December of '99. Subsequent to that payment, that particular Phase II Board met in  
18 January of 2000, Clarence will recall, and discussed the issue of further payments and  
19 rules and regulations for that. It was decided at that meeting that the base year for  
20 producers would stay at 1998 for 2000, with at least five more years, which takes us  
21 through 2005 payments, which have been made, and at that time it would be reviewed  
22 again. Nothing was said that the base has to move, that's a decision of this Committee.

23 The reason behind keeping that base at '98 at that time was to keep in  
24 mind that the logic back then relative to Phase II side bar agreement, and also the  
25 legislation creating this entity or Commission, was based on the harm done to growers  
26 and quota holders based on the action of the Master Settlement Agreement. If you think  
27 about it, a lot of people that got hurt the worst, the MSA as far as the producer segment is  
28 concerned didn't survive, and they're no longer producers. They didn't have a year or  
29 two, if any. So that's some of the logic for keeping it in that arena.

30 This entity can choose to move that base to any year or to keep it at '98,  
31 doesn't have to go to '99, it can go to whatever your choice is. I should say that, and we  
32 talk about Phase II, but then Phase I had their meeting in February, I think, of 2000 and  
33 adopted the same payment regulations as Phase II, and that's why it is this way.

34 DELEGATE JOHNSON: Any questions from members of  
35 the Committee?

36 MR. WEST: Is there anyway we can find out how many  
37 producers we lost from '98 to '99?

38 MR. LEWIS: We can give you an approximate number.  
39 The great, great majority, and I can say this based on the fact that we changed the quota,  
40 we're going to gain a small percentage of individuals who did produce in '98 and did not  
41 produce in '99, very few will come into this system. But as a base, it's a relatively small  
42 amount.

43 Mr. Chairman, I'd say, in addition, that for all practical purposes over the  
44 last two summers, we have changed the base for quota owners and many of which will be

1 the producers that were, we may change the base for this time, but they've gone through  
2 the buyout process. I can represent to you and the Committee there is a certain level of  
3 fatigue with doing this paperwork and changing the base over the last two years.

4 With that said, as Stan said and Mr. West said, there will be some people  
5 that will come onto the '99 payout that did not participate in '98. Those are the  
6 considerations for your review and decision today.

7 MR. DUFFER: As far as the producer side, overall there's  
8 been a lot more people that got out than got in. Very few new people got in this business  
9 since '98.

10 DELEGATE JOHNSON: Any other questions?

11 MR. LEWIS: For our purposes, we're at a point and with  
12 our conversations with Ned, and we're preparing for the next year, and that's why we felt  
13 it important to bring it up at this time so we know if we have to request the data from the  
14 farm service agencies federal government to begin changing the database, and that will  
15 require some effort in the next few months if this body does that. If this body and the  
16 Commission elects to remain at '98, we have that data already in the system ready to go.

17 DELEGATE JOHNSON: Thank you. Mr. Lewis, I want to  
18 personally thank you. I've called on Mr. Lewis numerous times when people would ask  
19 me questions about these matters that I couldn't answer and I wanted to make sure we got  
20 the right answer. Whenever I've called Mr. Lewis he's been most kind and helpful, and I  
21 have not had a single person say that he didn't get things worked out. So you've done a  
22 good job, and we certainly appreciate it.

23 MR. LEWIS: Thank you very much.

24 DELEGATE JOHNSON: Next we have --

25 MR. BRYANT: Mr. Chairman, I'd like to make a motion,  
26 and my motion is that we keep the base year at 1998 and continue our payments.

27 DELEGATE JOHNSON: You heard the motion, is there a  
28 second?

29 MR. MAYHEW; I'll second that.

30 DELEGATE JOHNSON: We have a motion and a second,  
31 any discussion?

32 MR. STALLARD: There's one thing I'd like to say about  
33 burley. We made this decision six years ago to revisit it in six years, a lot of people in  
34 burley were expecting a change, at least so the producers and quota owners would be on  
35 the same year. That's confusing for a lot of people in burley. I know there's a lot of extra  
36 paperwork to make this change. I just wanted to reflect the view of my constituents at  
37 home, and they were expecting a change. There'll be questions as to why the quota  
38 holders and producers have a different base year.

39 DELEGATE JOHNSON: Any other discussion?

40 Do you want to ask any questions? There being no other discussion, all in  
41 favor, let it be known by saying aye? (Ayes.) Opposed, no?

42 MR. STALLARD: No.

43 DELEGATE JOHNSON: So ordered.

44 All right, next we'll talk about the de minimus check amounts.

1 MR. STEPHENSON: Chairman Johnson, in my  
2 conversations with people at Troutman Sanders they're office has been producing many  
3 volumes of checks, which are being issued, and indicated that there might be some  
4 consideration given to the idea that there might be a minimum amount below which  
5 Troutman would not issue a check because of the process involved in issuing the check,  
6 going through the bank and all those things, and it becomes an exercise, and checks are  
7 down to, say, less than a dollar, postage might be more than the check. So I agreed to  
8 raise the question with this Committee, is there a dollar amount below which you would  
9 agree not to write a check?

10 To give you some feeling for this, I've gotten some numbers from  
11 Troutman, and it's been indicated to me that there are some 100 checks that are issued  
12 that are less than \$10.00. I give that to you as an example for your consideration.

13 DELEGATE JOHNSON: Where is our attorney today?

14 MR. STEPHENSON: We are without counsel today. My  
15 thinking on that was that I would like to find the wishes of the Committee first, and if you  
16 wish to do that then I will get it sterilized legally before we move forward.

17 DELEGATE JOHNSON: I think that's the best  
18 thing to do and the best way to handle it, then we can take it up before the Full  
19 Commission in January.

20 MR. STEPHENSON: That we make a decision here today  
21 at the Committee?

22 DELEGATE JOHNSON: That we delay it until January  
23 and find out what the legal ramifications are. If those people are entitled to their money,  
24 they're entitled to it regardless of what the amount is. If there is some way, for whatever  
25 reason, it's feasible to send the check out, then that's one thing, but to cut the money out  
26 from the people simply to save a dollar is another thing.

27 MR. LEWIS: Mr. Chairman, just to expand on those  
28 comments. The situation we're falling into is individual's who are passing away,  
29 unfortunately, we're providing smaller checks and smaller checks and smaller checks.  
30 That's the situation we wanted to bring to your attention and the Commission's attention.  
31 We issued a check for ten cents this year, and you're right that there are legal  
32 ramifications, but that's the kind of situation we're falling into, multiple people are  
33 dividing smaller claims.

34 MR. MAYHEW: Mr. Chairman, if we could save ten or  
35 fifteen dollars would that be to the family, and then that gets, or is this the end check for  
36 ten dollars?

37 MR. LEWIS: I'd like to work with counsel and see if there  
38 is a way the family can appropriate a certain amount, and then they can divide it amongst  
39 the family members. Right now we're having people receiving five-dollar amounts in  
40 each one of their own claim forms, which they're entitled to. We're glad to do it as far as  
41 the payment, but as we get further along these amounts are being broken down even  
42 further and further. That's why we thought we wanted to bring it to your attention.

43 MR. MAYHEW: Do you think there's a hundred people  
44 involved in a situation like this?

1 MR. LEWIS: As of yesterday, some individuals will have  
2 more than one claim. We have a hundred and sixty that were receiving less than ten  
3 dollars, a hundred and sixty. Twenty-five dollars is about eight hundred twenty-five. It's  
4 a relatively small amount. I think if you look at our data you'll see people are broken up  
5 due to a death in the family, and sometimes somebody might die, and then their children  
6 inherit, and then they start to die off, and it's further broken down.

7 DELEGATE JOHNSON: I think it would be best for you  
8 to find out what the legal consequences of this would be, and then we can bring it up to  
9 the Full Commission for a decision.

10 MR. MAYHEW: Mr. Chairman, maybe we could suggest  
11 here today that if this passes muster with the legal people, then this would already be  
12 taken care of instead of having to go through this again. If we want to address it again  
13 that's fine, but it would be to go ahead and pass it through the legal department, and then  
14 that would be just a suggestion I'd have.

15 DELEGATE JOHNSON: Members of the Committee,  
16 you've heard the discussion, is there a consensus?

17 MR. FIELDS: What happens, Clark, when somebody  
18 wants thirteen cents, do we send it? After we do this, after we say we're not going to  
19 write a check below a certain amount, or like ten dollars, what if they want that ten cents?

20 MR. LEWIS: I guess that would be the appropriate  
21 question for legal counsel as to what would be the procedure. Right now everyone that's  
22 eligible we're signing up, no matter how small it is.

23 MR. BRYANT: Mr. Chairman, Clark, the number you  
24 cited to us, saying a hundred and sixty, is a major part of that in burley or is it kind of  
25 equal?

26 MR. LEWIS: I really don't know.

27 MR. BRYANT: I wouldn't want anyone to think that it  
28 might be a reflection on burley, if it is a major part of it.

29 MR. LEWIS: It could very well be both. As you know, we  
30 have larger tracts or multiple tracts in the flue-cured areas, and burley tends to be more  
31 single family, but if I'm a burley quota owner or producer and I die and I happen to have a  
32 large family, and they all are entitled. Under the current policy, if I have fifty pounds and  
33 I pass away and I have five children, before we break that up all the children have to  
34 agree to a disbursement among all the children. And, if all of them elect to receive their  
35 ten pounds worth, then what happens? If you look at these two hundred claims I have left  
36 over, and if they're divided among the five children and one or two of those have passed  
37 away, then we have to find their children to participate in the program. Then you start  
38 dividing that ten pounds even further along, say in that case among five children, and  
39 they each get two pounds.

40 MR. BRYANT: Is this a common practice among the  
41 Commission or the Boards within the state?

42 MR. LEWIS: What?

43 MR. BRYANT: Is this a common practice for a  
44 Commission or Board within the state?

1 MR. LEWIS: I don't know the answer to that question. I  
2 think counsel probably could provide an answer on that or some guidance. I think this  
3 Commission would understand the eligibility requirements.

4 DELEGATE JOHNSON: It's a matter that probably would  
5 be more appropriate taken up in the Executive Committee than this Committee to start  
6 with. Do I hear a motion? No motion.

7 MR. FIELDS: Mr. Chairman, I'd like to go back to what  
8 we started with. When is there a possibility that could change? We didn't set a year in  
9 the motion, did we, or when will it ever?

10 DELEGATE JOHNSON: What motion are you talking  
11 about?

12 MR. FIELDS: The first one we made.

13 MR. STEPHENSON: My understanding of it is that when  
14 the motion was made the first time some years back it was set for five years, and we  
15 completed the five years. What I heard today is that we will not change the base year, but  
16 that had no time frame attached to it. We'll revisit the question again in a year.

17 DELEGATE JOHNSON: Not hearing a motion either way,  
18 then we will pass that by, but I think it's a good question and maybe it's something the  
19 Executive Committee should consider as far as the check amounts rather than this  
20 Committee.

21 Next we have the indemnification payout schedule.

22 MR. FIELDS: Mr. Chairman, before you do that, let's not  
23 give the Executive Committee the opportunity to do that. Let us make that decision, as  
24 soon as the January meeting, anyway. Let's us make that decision rather than the  
25 Executive Committee.

26 MR. MAYHEW: Mr. Chairman, how do you all feel about  
27 the minimum amount of the check situation? Do you think it creates ill will or a  
28 problem?

29 MR. STALLARD: Fred and I come from the old school,  
30 and we still feel that when you owe someone fifty cents, then you want to pay that fifty  
31 cents. I don't think there's any point in writing a check where the check is for a lesser  
32 amount than the cost of the processing fee. Some people like to know they still have their  
33 foot in the door for the tobacco money in case something happens. If you want to set an  
34 amount for something like five dollars, would that help your check writing as long as  
35 people understand that? We do need to be practical here, and at some point end further  
36 division. So if you're writing a check for less than five dollars some people tend to make  
37 fun of it, the Tobacco Commission. I'll make a motion for a check less than five dollars,  
38 there has to be a line somewhere, if that'll help you all, five-dollar minimum, we stop  
39 dividing.

40 DELEGATE JOHNSON: Is that in the form of a motion?

41 MR. STALLARD: yes.

42 DELEGATE JOHNSON: Is there a second?

43 MR. MAYHEW: I'll second it.

1 DELEGATE JOHNSON: Any discussion? All in favor, let  
2 it be known by saying aye? (Ayes.) Opposed? (No.)

3 Call the roll, please.

4 MR. STEPHENSON: Commissioner Courter?

5 COMMISSIONER COURTER: (No response.)

6 MR. STEPHENSON: Mr. Fields?

7 MR. FIELDS: Aye.

8 MR. STEPHENSON: Mr. Jenkins?

9 MR. JENKINS: (No response.)

10 MR. STEPHENSON: Mr. Mayhew?

11 MR. MAYHEW: Aye.

12 MR. STEPHENSON: Mr. Owen?

13 MR. STEPHENSON: (No response.)

14 MR. STEPHENSON: Mr. Stallard?

15 MR. STALLARD: Yes.

16 MR. STEPHENSON: Mr. West?

17 MR. WEST: Yes.

18 MR. STEPHENSON: Vice Chairman Bryant?

19 MR. BRYANT: Yes.

20 MR. STEPHENSON: Chairman Johnson?

21 DELEGATE JOHNSON: No.

22 MR. STEPHENSON: The ayes have it. Mr.  
23 Chairman, I understand this to be subject to review by the Attorney General  
24 representative, and that might solve it.

25 DELEGATE JOHNSON: That was not part of the motion.

26 MR. STALLARD: I'll put that in the motion, subject to the  
27 Attorney General.

28 DELEGATE JOHNSON: That's the reason I was thinking,  
29 and also, the Full Commission has got to approve it to start with, and if the Attorney  
30 General says okay, then I'll change my vote, but as of this time I'm not.

31 MR. FIELDS: Mr. Chairman, I'd like to make a statement  
32 here that probably Delegate Johnson is the only attorney we've got to sue this  
33 Commission for the \$4.95, probably.

34 DELEGATE JOHNSON: Next we have the  
35 indemnification payout schedule. Stephanie.

36 MS. WASS: I just wanted to bring you up-to-date on where  
37 we stand for the payments that have been made to date, and what is not being made  
38 available. Phase II payments that will be paid out next month, what the Commission's  
39 remaining obligations will be. Because of the federal quota buyout for 2002 and that  
40 total obligation was 479 million for flue-cured and burley. The payments that have been  
41 made available to date include all of the Phase I payments that we have made over the  
42 last six years and Phase II payments. Also, the Phase, the final 2004 Phase II payments  
43 that will be paid out next month.

44 In our budget for 2006, in the spring we anticipate paying out

1 13.7 million. So after subtracting out all of the payments made available to  
2 date, our remaining obligation for losses through 2002 will be 96.4 million.  
3 At a meeting a couple of years ago the Commission had agreed to spread the remaining  
4 obligation of the Commission over the next ten years and that would have been the years  
5 2006 through 2015. That was right after the federal quota buyout.

6 I want to hand out a schedule, the schedule I passed out originally is the  
7 summary of the payments that have been made and remaining obligations. The first,  
8 where they come from and the annual quota loss, for your information. What's being  
9 handed out now is a summary of the indemnification payments made each year for the  
10 past six years and the administrative costs for making those payments for the past six  
11 years and projecting out over the next several years what those payments will be. You  
12 can see the average cost of administration for the past six years that we've done the  
13 program is about 420,000 a year. As we go on in the future, we spread the  
14 indemnification payments over ten years, we'll still be paying about that amount annually  
15 for administrative costs, because to process payments for ten million dollars cost about  
16 the same amount that it would cost to process 60 million in indemnification payments.  
17 The process is the same, the number of claimants, all those costs and functions remain the  
18 same regardless of the amount of indemnification payment.

19 Projecting out in the future with the present remaining obligation over the  
20 next ten years, our administrative costs as a percentage of the indemnification payments  
21 should go up about three percent approaching four percent, and that's assuming no further  
22 increases in the administrative costs or contracting costs.

23 This past year Troutman did come in and request an increase in their  
24 contract. Assuming there is no further increases, it's estimated that the administrative  
25 costs will be 3.3 percent. So what we're recommending is that rather than spread the  
26 remaining payments over ten years, and 2006 is already budgeted, but then pay out  
27 another four years for the remaining obligation and save about 2.1 million dollars in  
28 administrative costs, alone. That does not account for the other issues, like liability  
29 issues. There are internal controls and other liability payments. Once these payments  
30 have all been made, more emphasis can be put on economic development and all of the  
31 funds can then go to economic development.

32 The disadvantage of that is that because we have to use MSA revenue  
33 taking indemnification payments, that would restrict the amount of our unrestricted  
34 money that the Commission would have to spend for other programs for four years. It is  
35 doable through the budget process. It is a way to get payments out to farmers faster and  
36 reduce our administration costs, limit our liability, and then be able to devote all of our  
37 resources to economic development after the year 2010.

38 MR. BRYANT: Mr. Chairman, how does that increase the  
39 payments if you went, I assume 2010, is that what you're saying?

40 MS. WASS: Yes, that would make the payments closer to  
41 about 20 million, probably slightly under that. Right now it is projected to pay out 10.7  
42 million.

43 DELEGATE JOHNSON: Other questions? Mr. West.

44 MR. WEST: When will that decision be made?

1 MR. STEPHENSON: Mr. Chairman, I view this  
2 technically as we are operating as a budget issue, because there will be a budget time that  
3 the entire Commission will choose how much money to pay in indemnification for the  
4 new year. What we're seeking from the Agribusiness Committee was its best advice  
5 whether to do this or not. That recommendation would really then go to the Finance  
6 Committee at budget time so they would have the benefit of your wishes on whether to  
7 speed this up or not. Of course, they may or may not choose to follow that  
8 recommendation at budget time.

9 MR. FIELDS: What are the other things that this would  
10 affect besides economic development?

11 MS. WASS: What would happen is that we would,  
12 probably, in the next four years try to use as much as possible of securitized funds for  
13 economic development. There would still be about 11 or 12 million dollars available for  
14 other programs, like education, that cannot come out of securitized funds and other  
15 projects, administration, and other things that can't come out of restricted funds. There'd  
16 still be money available for this program, and it would just be less than it is now.

17 MR. WEST: In the long run it would be more?

18 MS. WASS: After four years, a hundred percent.

19 MR. WEST: Plus the cost of administration.

20 MS. WASS: Yes.

21 MR. BRYANT: Stephanie, for the record, what are your  
22 projections on the savings that would occur?

23 MS. WASS: Assuming the contract is not increased, about  
24 2.1 million.

25 DELEGATE JOHNSON: How could we go wrong if we  
26 didn't adopt something to save 2.5 million?

27 MS. WASS: Some might say that we would not have  
28 enough flexibility for other economic development programs, because it would limit the  
29 amount of unrestricted money.

30 MR. MAYHEW: What percentage of these other monies  
31 would be limited? In other words --

32 MS. WASS: -- This would take about 66 percent of our  
33 MSA revenue and about 33 percent would be left for other programs.

34 MR. MAYHEW: What is it now if you didn't do anything  
35 compared to that?

36 MS. WASS: It would be about a third.

37 MR. MAYHEW: About a third less?

38 MS. WASS: Probably about 30 percent.

39 MR. MAYHEW: You say these other programs, like  
40 Education, are you saying in the next four years they'd be cut by a third?

41 MS. WASS: No. Education has to come from unrestricted  
42 funds, so we would fund it from the unrestricted funds. I think what would happen are  
43 things that currently are not funded, for example, TROF, Deal Closing funds, and those  
44 are currently funded from the MSA revenue, but they could be funded from securitized

1 funds because most of those projects are capital. We would be shifting money more  
2 towards the securitized funds wherever possible.

3 MR. MAYHEW: You're saying you think it would have a  
4 minimum effect on future budgets during that four-year period?

5 MS. WASS: Yes.

6 MR. MAYHEW: Because of the shifting around?

7 MS. WASS: Yes.

8 MR. STEPHENSON: Mr. Chairman, I would like the  
9 record to reflect that prior to Ms. Wass' comments the Troutman representatives left the  
10 room. They did that because this affects them, and this affects the length of their  
11 opportunity to have a contract with us, which really is the big driver in all of this and the  
12 opportunity to save that fee and use those funds.

13 DELEGATE JOHNSON: You recommend it?

14 MR. STEPHENSON: I do.

15 DELEGATE JOHNSON: Do we have a motion?

16 MR. MAYHEW: Mr. Chairman, I would agree with all the  
17 positive comments that have been made as to the reason why we should seriously  
18 consider saving 2.2 million dollars, or whatever it is. I will therefore move that this  
19 Committee recommend to the Commission that we adopt this strategy of shortening the  
20 payout time down to four years rather than nine additional years.

21 DELEGATE JOHNSON: You're making that in the form  
22 of a motion?

23 MR. MAYHEW: Yes, sir.

24 DELEGATE JOHNSON: Is there a second?

25 MR. STALLARD: Second.

26 DELEGATE JOHNSON: Discussion?

27 MR. STEPHENSON: Mr. Chairman, I think in fairness we  
28 need to point out that should this be the will of the Commission it will, as I understand it,  
29 hasten the day when a producer does not get any check at all. In other words, that day  
30 right now is ten years away and if we do this, on year five it stops. I just want to point  
31 that out, because there's a public impact, and that event is unavoidable, and it's a matter of  
32 whether you want it in four years or ten years.

33 MS. WASS: Some of these people may be receiving  
34 money over the next ten years from the federal tobacco quota buyout.

35 DELEGATE JOHNSON: This is only a recommendation  
36 to the Full Commission.

37 MR. STEPHENSON: A budget recommendation for the  
38 new budget year.

39 MR. MAYHEW: Mr. Chairman, I would suggest some of  
40 these people who are getting on in age and so forth would prefer to get it in a shorter  
41 period of time. I've talked to a number of them that have indicated to me it would be nice  
42 not to have to wait ten years for it; I think it sort of balances itself out.

43 MR. WEST: It's the same amount of money to do it in ten  
44 years or five years.

1 MR. MAYHEW: I think the dollars would be worth more  
2 in the short term than it will be in nine or ten years from now.  
3 DELEGATE JOHNSON: Any further discussion?  
4 MR. FIELDS: Somewhere along the way we've got to quit  
5 saying one thing and thirty days later we change it and the lawyer accuses us.  
6 DELEGATE JOHNSON: Of flip-flopping. MR. FIELDS:  
7 MR. MAYHEW: I've always hedged my bet by saying, this  
8 is what we think will happen, but it could change and a lot of things could happen.  
9 DELEGATE JOHNSON: Any further discussion? If not,  
10 all in favor, let it be known by saying aye? (Ayes.) Opposed, no?  
11 MR. FIELDS: No.  
12 DELEGATE JOHNSON: Next on the Agenda is the  
13 compensation rate. All right, we've already handled that.  
14 Next is clarification of beef producer incentive eligibility. Britt Nelson  
15 will be presenting that.  
16 MS. NELSON: Before I get into the issue I've asked Linda  
17 Wallace, who is the representative from Halifax County and the project leader from  
18 Southside and Southwest, to give a brief update, and I think her information might help  
19 you make a decision based on what she presents to you.  
20 MS. WALLACE: Good afternoon, gentlemen, Chairman  
21 Johnson and Committee members, glad to see you all again. I'm going to give you a brief  
22 update on the payments and how the Southwest and Southside portion of the grant is  
23 going. I'll also add that Phil Blevins will be giving you a summation of Southwest. I'd  
24 like to say the project overall is going fairly well.  
25 I have a handout of the county allocations to date. As many of you are  
26 aware there are six Southside counties involved. Each county was allocated \$129,600.00.  
27 To date most of the counties if you look at the balance remaining or the total allocation to  
28 date, you'll see most of the counties have utilized most of their funding. We do have  
29 some money left over in Lunenburg County, and that's really the major leftover county,  
30 there.  
31 I put an asterisk beside Charlotte, you will notice that Charlotte has an  
32 allocation of \$151,795.00 that has been allocated to eligible producers and certainly that's  
33 more than the county allocation but last disbursement of the Oversight Committee this  
34 was discussed. This had to do with some of the leftover balances of other counties. It  
35 was a unanimous recommendation of the DOC and a willingness of the Soil and Water  
36 and Conservation District to provide some of that funding for Charlotte County, and we  
37 have done so.  
38 I would anticipate we'll probably have two more applications pending.  
39 We're probably looking at somewhere around 18,000 not being expended from that total  
40 grant amount to Southside, if you take off five off that twenty-three thousand. So far we  
41 have had about 160 applicants in Southside Virginia. Of that 160, I'd say six to eight of  
42 those were ineligible because they did not meet the eligibility requirements or other  
43 issues. Only about six or eight of those were ineligible to date if you look at the chart at

1 the bottom of the page. One hundred and twenty of those participants have completed  
2 their project.

3 As many of you know we struggle to demonstrate a hard and fast ROI  
4 return on investment on this money. If you look down, so far the producers, the  
5 producers in these six counties have spent \$632,000.00, and the Commission has only  
6 provided about 525 in cost sharing to those. So that the producers are consistently  
7 spending much more than they are getting in the cost share incentives. The average cost  
8 share incentive in Southside, and please ignore the summation on that column there. So I  
9 would say that the average cost share payment for Southside is around 4280 or 43  
10 hundred, and that's consistent with what was done in the pilot project as well.

11 Any questions so far? I just thought it might be helpful to you to see how  
12 the money is being allocated and how that's all running.

13 Phil has some similar figures on Southwest, if you'd like to hear that.

14 MR. BLEVINS: Mr. Chairman and members of the  
15 Commission, Staff, thank you for the opportunity to be here also. We consider this  
16 project in Southwest to be a tremendous success. We have in the neighborhood of 250  
17 applications from six counties and 208 of those have been approved. Since then three or  
18 four have withdrawn from the project. We have spent about 441,000, actually received  
19 cost share payments of 560,000 that we've received. Producers have spent about an  
20 additional 70,000 that we had reported above the cost share amounts that was required on  
21 their part to spend. We received about 440,000 cost share payments so far and actually  
22 producers have spent around 500,000 in money to receive that particular amount cost  
23 share.

24 It's made a tremendous impact. You can ask anybody that is in these  
25 counties in our area, and they have been well pleased, not only with the impact it's made  
26 with the agribusiness section, but particularly for the beef producers in our area. It's  
27 helped really move the situation forward several years past what it would have been  
28 without this help.

29 DELEGATE JOHNSON: Mr. Blevins, on a scale of one to  
30 ten thus far how would you rate the program?

31 MR. BLEVINS: A rate of seven or eight. The best  
32 illustration I could give in terms of financial returns it has brought to the area, and it's in  
33 the application, I don't want to wear you out with that. But we, as a result of this, we put  
34 a Virginia quality assurance feeder cattle sale together that included about five hundred  
35 calves as a sample of what this grant can do. Those were sold October 24th. The same  
36 night we had a sale in Abingdon and those calves averaged about \$62.00 a head above  
37 what the calves on the graded sale did. Traditionally the graded in-barn sales average  
38 about five cents a head or about five dollars a hundred above what the regular sales  
39 would do. So we're talking about five hundred and forty some head of cattle, and the  
40 producers gained about \$50,000.00 in value from these calves. Those are figures that can  
41 be demonstrated, not figures pulled out of the air.

42 DELEGATE JOHNSON: That's money in the farmer's  
43 pocket?

1 MR. BLEVINS: Yes, plus the benefit it's been to the  
2 suppliers and other people in our areas and equipment people and others.

3 DELEGATE JOHNSON: Any other questions?

4 MR. BLEVINS: Thank you.

5 MS. NELSON: Mr. Chairman, I had asked Mr. Blevins to  
6 provide a statement indicating to the Committee the success of this program after one  
7 year and reaching out in assisting producers and the balance between what the county  
8 allocations are. We do have an issue within this project that needs some clarification so  
9 they can continue in this process and with this project.

10 As you may recall the Full Commission meeting on October 20th, 2004 in  
11 Clarksville, the Agribusiness Committee made a funding recommendation to the Full  
12 Commission regarding this particular project. After much discussion approval was made  
13 with the emphasis being given to the full-time farmer and emphasis being given to  
14 farmers that did not participate in the pilot project in Southside. However, when that  
15 motion was made by Mr. Bryant and clarified later by Senator Hawkins the wording was  
16 somewhat changed and it actually passed with the emphasis placed on the full-time  
17 farmers. Then it was changed to say those receiving money during the pilot project  
18 would not be eligible. There was some confusion as to whether or not those producers in  
19 the three initial pilot counties, that the producers participating in that phase could  
20 participate in this current project round. So, to date they have not been serving any  
21 producers that received funding in the pilot. However, there have been several that are  
22 interested in coming back.

23 There has been a question raised, and Delegate Wright wished for me to  
24 convey this thought on that matter that would allow producers that received funding prior  
25 to allow them again to participate. However, as you heard, the emphasis for the first time  
26 producers has gone very well, and they're able to continue with small amounts. So we  
27 need some clarification if you wish to allow what we call repeat producers to come back  
28 to the program and participate again, and that's an issue before us, and we're seeking  
29 clarification on that.

30 MR. BRYANT: Mr. Chairman, the amount of money that  
31 the producers received in the pilot program was not less than what the producers are  
32 receiving now, is it?

33 MS. NELSON: No, same cash amount they were eligible  
34 for before.

35 MR. BRYANT: So Delegate Wright would like to see the  
36 double dipping? Is that not correct?

37 MS. NELSON: If that's the term you wish to use.

38 MR. BRYANT: Well that's what it is.

39 MR. MAYHEW: Mr. Chairman, I had the pleasure and  
40 privilege of sitting in on the Oversight Committee that met in Halifax for a number of  
41 meetings over the last almost a year now. I witnessed the extreme dedication and success  
42 of the program as it is being carried out. Not only the great job Ms. Wallace and Ms.  
43 Nelson are doing, but all of the groups involved and representatives from each of the  
44 counties meeting there whenever necessary or every couple of months to discuss things

1 and approve or disapprove those applications. I see how this thing is working and it is  
2 very clear that it's accomplishing a great job reaching a lot of people. There are even  
3 more people out there that have not applied who probably would like to be a part of it that  
4 have not been able to. I certainly think we will open it up to a lot of negative comments  
5 if we allow some individuals to have two bites at the apple for funding and others missing  
6 it completely.  
7 Therefore, I would move that we clarify this to say that no single individual  
8 will have two applications.

9 DELEGATE JOHNSON: Is that one of the  
10 recommendations that we discussed the first time?

11 MR. STEPHENSON: The lack of clarity on this point, and  
12 it becomes an issue, and we're seeking the Committee's guidance on the way to go so that  
13 the Staff and the Oversight Committee will know what your intent is.

14 MR. STALLARD: Mr. Chairman, I want to ask if there is  
15 money left over, give preference to anyone that has not previously applied, but if there is  
16 money left over and someone wants to reapply I feel like they should be given an  
17 opportunity to do so.

18 MR. MAYHEW: That money would be there for the next  
19 round for still a group that has not applied. Do you have any comment on that, Linda?

20 MS. WALLACE: Thank you, Mr. Mayhew. Yes, I have  
21 strong feelings on that. As you well know, Southside, certainly Halifax County has gone  
22 through a long arduous battle to get this project approved. With some of my colleagues  
23 in this room, I don't think we'd be here today if the Southside counties had not initially  
24 signed on for this project three or four years ago and were interested in it. We have  
25 thirteen Southside counties that haven't gotten a dime in it. You have counties in  
26 Southwest that haven't received a dime for it. I guess I have an objection to one  
27 gentleman receiving 10,000, and there's a guy over in Patrick County or Prince Edward  
28 County that has not received anything. I guess that's my opinion on that for whatever it's  
29 worth. I think it's incumbent upon those of us who have  
30 already participated in the project and received funding, and I feel it's our responsibility  
31 to look out for our neighbors that have not received funding. I'd just remind you that  
32 there are nineteen counties that signed on to do this project a couple of years ago.

33 MR. STALLARD: I understand that, but there are some  
34 counties that are more dependent on tobacco than other counties applying, too. A person  
35 doing a good job with the funds they used and priority should be given to a person that's  
36 never applied, but at the same time I don't want the money to go unused.

37 MS. WALLACE: If I remember the figures from last year  
38 correctly, we had about 137 that participated last year. If you look at the sheet I just gave  
39 you, \$33,000.00 left over. How in the world would you suggest we decide which one of  
40 those 130 people get a piece of this \$33,000.00? I think you'd be opening a Pandora's  
41 box that may be difficult to close.

42 MR. PFOHL: Mr. Chairman, I'd just like to point out a  
43 couple of nuances to this question, too. I think we've got some people that came in the  
44 first time and didn't apply for the full amount they were eligible for. I think there's

1 potentially an issue of allowing them to come back in and get the balance of the cap that  
2 they were entitled to.

3 The second aspect of that is if you look at the national agricultural  
4 specifics we've got some counties in Southwest that have several hundred beef producers,  
5 and with the amount that we're allocating for the county you're only able to reach a few  
6 dozen per year and potentially have several hundred who are eligible. If we allowed a  
7 few dozen to come in the first year and to get the second shot at it, then the question is  
8 can they ask for up to their one-time cap amount, or can they go beyond that and get that  
9 cap the second time and double dip when there are essentially or potentially several  
10 hundred other applicants.

11 MR. MAYHEW: For what it's worth, the Oversight  
12 Committee discussed this at length, and they felt from a fairness standpoint and also from  
13 what's been said here, once you open the door and once you make an exception and say  
14 this can be done, then where does it stop, and I think it would be hard to manage.

15 Again, Mr. Chairman, I have a motion on the floor to clarify the issue by  
16 saying it's limited to one person, one time.

17 DELEGATE JOHNSON: In looking at the summary and  
18 the Staff recommendations it says funds available to reflect awards to the six previously  
19 participating counties does not allow previous participants to receive additional funds.  
20 What guidelines or what caused you to put that in there? Has there been some kind of  
21 rule from the Commission or is that something the Staff came up with?

22 MR. PFOHL: Mr. Chairman, that's a reflection of trying to  
23 get clarification of the issue we're talking about there today, and that's purely a  
24 recommendation from the Staff. I think that's also offered in recognition of what we  
25 found from the National Agricultural Statistics that showed some counties have several  
26 hundred beef producers, so we felt it was advisable to get that issue on the table and get  
27 some clarification, either folks could come in one time or repeatedly.

28 DELEGATE JOHNSON: Let me ask a question,  
29 and I'm just a country boy, but I don't get any payments, but suppose I did and I got one.  
30 Is there anything that would entice me to do more to get another payment, or is there any  
31 stepping up or building stone that would encourage the farmer to do something extra in  
32 order to participate in the program?

33 MR. PFOHL: There are two aspects of the incentives that  
34 are targeted. If someone were to come in the door to deal with one of those issues, either  
35 genetics or the cattle handling facilities, and then potentially want to come back and take  
36 another shot at it, and those are a couple of aspects that could be addressed with the  
37 program guidelines.

38 MS. WALLACE: When we went through this with the  
39 Special Projects Committee three or four years ago, there were three components, forage  
40 facilities, genetic improvement. When you consider if from the building blocks  
41 standpoint, certainly you cannot add value to the calves unless you have a facility to  
42 handle it. That's one way to add value.

43 Secondly, to improve the genetics. You can't increase the cattle herd  
44 unless you can feed them. Because of the lack of funding, our original intent was to

1 allow the participants to prioritize their need and possibly participate in all three  
2 components. Because of limited funding we certainly limited the prioritization and ask  
3 for participants to identify one component that they wished to receive. So that's kind of  
4 how we got into it.

5 In answer to your question, yes, there is a building block process. With  
6 the available funding I don't think we're able to do that, and that's just my opinion.

7 DELEGATE JOHNSON: Thank you. We have a  
8 motion on the floor, do I have a second to the motion?

9 MR. BRYANT: I want to amend it.

10 DELEGATE JOHNSON: Let's get a second, and then we  
11 can do that.

12 MR. WEST: I'll second it.

13 DELEGATE JOHNSON: We have a motion and a second.

14 MR. BRYANT: Did I understand you to say that there  
15 were some participants that had not reached the cap?

16 MR. PFOHL: Yes, the cap per producer in Southside is  
17 5,000, and the average award is in the ballpark of 4,000 or 4200.

18 MS. WALLACE: Forty-two is average in Southside. We  
19 have some people that have spent everything from, in Charlotte County it's up to 895. If  
20 you want a bull that is another thing. That decision may have been based on the  
21 availability of cash at the time that he chose to make the improvement. We have  
22 producers that have spent as little as fifteen or sixteen hundred. We have producers that  
23 have spent as much as 23,000.

24 MR. MAYHEW: This was at their discretion?

25 MS. WALLACE: Yes.

26 DELEGATE JOHNSON: We have a motion and a second.  
27 Any further discussion? This motion is that this be a one-time deal, one application and  
28 one applicant. All in favor of that let it be known by saying aye? (Ayes.) Opposed? (No  
29 response.)

30 Next, we're down to review of pending grant applications. I propose that  
31 we'll just go down the list.

32 MR. PFOHL: We've got a line of about 900,000 the first  
33 budget year. Staff notified interested ag business organizations that were aware of the  
34 past grants and from our contact over the years and on November the 1st we took  
35 applications for up to 900,000 that was available. There is actually a little bit of  
36 carry-forward money, and that's \$33,094.00 that was carried forward. You'll see that on  
37 the bottom line, the available balance.

38 We had on November 1st a dozen applications for nearly 2.3 million  
39 dollars. As is often the case we have had to make some hard decisions on a lot of good  
40 projects, and there is not enough money to help all of them move forward. The Staff is  
41 presenting the recommendations to you that have been reviewed by the entire Staff, Sarah  
42 and Britt and Ned and myself, in Richmond. We've received some valuable input from  
43 our partners with the Agricultural Department and the Farm Bureau. We appreciate their  
44 advice and counsel and we've moved forward.

1                   Based on the Long Range Plan and Program Guidelines that the  
2 Agribusiness Committee approved a couple of years ago, the Staff is recommending  
3 partial funding for three projects for the full amount of 900,000. Those projects were the  
4 ones that seemed to float to the top, so to speak, as far as having broad geographic reach  
5 to a number of producers in the tobacco region and the ability to help those producers  
6 increase production and their income opportunities through both incentives and technical  
7 assistance that you'll hear about.

8                   There are printed copies of the Staff's recommendations, I don't think we  
9 anticipated this large a crowd, so if you didn't get a copy of it then you can look on with  
10 someone today. The Staff is more than happy to provide any of our comments to any of  
11 the applicants and most of whom are here today, and I'm sure that most of them might  
12 have a question, and we'll be glad to answer those and try to help you understand, to  
13 understand the Staff's recommendations.

14                   DELEGATE JOHNSON: I propose we go down the list  
15 and give each one that's here an opportunity to make a comment if they want to.

16                   MR. BRYANT: I think it would be fair to all the projects  
17 that have submitted applications to us today that the three recommended by Staff  
18 probably be the last ones, because if we make a motion and spend all the money it would  
19 be unfair to all the people in the audience, and in case someone that we really like, move  
20 some funds from those projects. I'd ask you to do that.

21                   DELEGATE JOHNSON: I thought the procedure would be  
22 to describe and explain their project, and then after that we could vote on them. They're  
23 listed in alphabetical order. Abingdon Feeder Cattle Association is first.

24                   MR. BLEVINS: Thank you, again, I'm Phil Blevins and  
25 speaking on behalf of the Abingdon Feeder Cattle Association. I'm an advisor to that  
26 group as County Extension Agent for Washington County, Virginia. We have the  
27 President, Mr. Buchanan, who is here today, and also some supporters from the Coalfield  
28 Counties that are here, and a representative from Smyth County, who we named in the  
29 grant to be the fiscal agent, and they have agreed to be the fiscal agent of this.

30                   Our program last year encompassed six counties, six major tobacco  
31 counties in Southwest Virginia. We had requests from other counties subsequent to that  
32 as to why they weren't included, and things along that line, and there was no purpose for  
33 leaving anyone out, it was just a matter of talking with the six largest tobacco counties.

34                   We expanded in our grant this year to include the ten far Southwest  
35 counties in Southwest Virginia. That really gets the majority of the burley producers in  
36 the State of Virginia. In those counties we have about 5500 beef producers and about  
37 280,000 head of cows and calves.

38                   We've applied to expand the program we already have going, because we  
39 do believe that it has made a big impact. The two mainstays of Southwest Virginia  
40 agriculture for as long as many of us can remember have been tobacco and beef. And as  
41 tobacco has been forced to decline as the result of decline in prices and cuts or  
42 elimination of programs many of these people have turned to beef cattle for ways to make  
43 up that loss of income, and we feel that's the best benefit.

1 I just want to address a couple of questions with regard to the grant. One  
2 of the questions I was asked is how do you plan to distribute the money. The way we did  
3 it this time is we distributed it equally among the six counties that we had. Our proposal  
4 this time would be to distribute it equally initially among the ten counties, and then after  
5 twelve months that we reexamine the situation and any money that has not been  
6 committed in the ten counties be reallocated to the counties where it's needed at that  
7 point. That would give everyone in those counties an opportunity to apply and  
8 participate. We feel like this is the fair way to do this, and we feel that would be received  
9 best out in our communities.

10 The other issue of concern I have is that last time we applied was the  
11 situation with the Feeder Cattle Association being involved in the process. We think it's  
12 gone relatively well, but out of the 280 applications we received, about a third of those  
13 were actually members of the Feeder Cattle Association. It's impacted a large number of  
14 people across the area, and we feel like it's been a big success.

15 At this point I'd feel more comfortable answering any questions any of  
16 you might have, rather than just reading the application over.

17 DELEGATE JOHNSON: That's the same program as the  
18 Extension program that you mentioned earlier about the \$52,000.00 in income?

19 MR. BLEVINS: Yes, the facilities and the genetics.

20 MR. MAYHEW: The Oversight Committee that works  
21 similar to Southside?

22 MR. BLEVINS: We have an Oversight Committee that  
23 consists of producers, each of the six counties. At this point the Extension Agent from  
24 each county serves on that committee. We also have a Farm Bureau field man. The six  
25 producers are voting members, everyone else is ex-officio. We have the Farm Bureau  
26 field man and one of the field men from that area serves on the Committee, a member of  
27 the Virginia Cattlemen's Association and also Tobacco Commission member, and hard for  
28 him to get there all the time. The Committee meets monthly. It's been a learning process  
29 for us. We present the receipt to everyone at the DOC meeting to review and to see  
30 what's on the receipt that they apply for. Initially we had a producer member in the  
31 county and an Extension Agent to review those receipts, but then we decided to move to  
32 this system to make sure that there are no questions about any of this.

33 DELEGATE JOHNSON: Any other questions?

34 MR. STALLARD: During the last round there was a  
35 stipulation to sell a certain percentage of the cattle to a value-added program. I think that  
36 got confusing down in the country. Is there a stipulation this time that a certain  
37 percentage needs to be sold to value added?

38 MR. BLEVINS: We believe that's the focus of the  
39 program, to increase the value of cattle. We left that in there. That was discussed a good  
40 bit initially in the grant, and the DOC came up with some good guidelines in regard to  
41 what they would consider to be value added. They take those things on a case-by-case  
42 basis. If there was something that was suggested outside of what we were going to  
43 consider as value added, we've got the mechanism in place to insure that that does  
44 happen. We don't see the impact the program could have if we don't require that. We feel

1 this is the best interest of everyone, and we had the stipulation.

2 DELEGATE JOHNSON: Any further questions? Thank  
3 you, sir.

4 Next is the Town of Abingdon.

5 MR. JACKSON: Mr. Chairman and Committee  
6 members, thank you for having us here today. As you know we proposed a permanent  
7 facility for the Farmer's Market for the Town of Abingdon. Currently it is in one of the  
8 parking lots, actually numerous parking lots in town. This year, I think, we had about 40  
9 registered vendors and 75 percent of which were from Washington County. Some have  
10 refused to come and sell their goods because of the lack of facilities. We're asking for  
11 funding to help in the construction of a facility like that. It'll be in downtown, and it will  
12 help with the revitalization of downtown and other activities, and it offers opportunity for  
13 multiple uses for other sorts of commerce throughout the year.

14 DELEGATE JOHNSON: Any questions? It's a very active  
15 Farmer's Market in spite of using the parking lots. You do a good job.

16 MR. JACKSON: Thank you.

17 DELEGATE JOHNSON: Southside Value-Added Beef  
18 Initiative Expansion Project.

19 MR. HARVEY : I appreciate the opportunity of being  
20 here today. I've been an Extension Agent, and I've worked with the county and having  
21 worked for the last 14 years of my career.

22 Our project is very similar to the one in Abingdon and to the one that Ms.  
23 Wallace has spoken about. I see a number of positive impacts of these programs. I've  
24 been an Extension Agent working with cattle. If someone has an opportunity I would  
25 encourage them to look at every opportunity and assistance in moving in these areas,  
26 whether it involves the health program, the genetic program, handling facilities and that  
27 sort of thing. As they begin to do that they learn and feel comfortable with it. Then the  
28 interest grows as a result of all this and neighbors rubbing shoulders with them, they're  
29 almost trained by these activities. Over the last 15 or 20 years this has created a  
30 tremendous advantage for our marketing opportunities, and I think this continues to do  
31 that. This program offers an opportunity to not only get started but continued  
32 involvement in these programs. It offers participation for many other people. The  
33 program has encouraged broad participation, whether it involves central Virginia, groups  
34 that are selling cattle. It's brought new blood into this. We're enjoying a real high in the  
35 beef industry at present, and we're hoping to gain additional benefits, not only in terms of  
36 dollars, but in head of cattle sold. I believe the Halifax group has had over two million  
37 dollars in sales of cattle that's been sold since last January. Amelia County will act as the  
38 fiscal agent. In meeting with them, they have asked me to serve as the project manager,  
39 as Ms. Wallace has done. I look forward to the project being an outstanding success. We  
40 already have in place a lot of these value-added programs, and it's not something we have  
41 to start out and stimulate. We have had these sales for close to the last ten years, and  
42 people are well aware of what's there and how to participate.

43 DELEGATE JOHNSON: Any questions? Thank you.  
44 Burley Tobacco Festival and Farm Show. Cumberland County?

1 MR. PFOHL: Cumberland County spoke to me this  
2 morning, and they are aware of the Staff's recommendations and wanted me to relay that  
3 they intended no disrespect to the Committee by not being here today, and they intend to  
4 work very closely with Virginia Tech to continue developing the innovation center  
5 concept and approach the Commission through this or the Special Projects program in the  
6 near future.

7 DELEGATE JOHNSON: Thank you, sir.  
8 Lee County Board of Supervisors.

9 MR. PAUL KUCZKO: Mr. Chairman and members, my  
10 name is Paul Kuczko, and I live in Lee County, and I've worked there 25 years and  
11 working with the Lee County folks and Lee County Farm Bureau. The County  
12 Administrator is here with me to answer any questions you might have.

13 In a nutshell, what we'd like to do is survey the farmers in far Southwest  
14 Virginia and get a handle on some of the things we talked about in their neck of the  
15 woods, a commercial kitchen cannery to increase truck farming. A lot of people are  
16 doing organic, and we've lost 20 to 30 percent where we had to throw things away, and  
17 another problem is the livestock facility. Most farmers have more livestock on the farm,  
18 and that increases the need for facilities to help the farmers with these products.

19 Organics is one thing, and hair sheep have become popular. We've talked  
20 about the farmers and the Farm Bureau program for several years, but the only way to get  
21 a good handle on what the farmers want would be to do a good survey with the farmers  
22 and not just paperwork and get a five, or six, or ten percent return rate. You have to go  
23 where the farmers are and get their involvement and get them to say what they see as an  
24 opportunity. A couple of years ago we were guessing. A lot of farmers need to take more  
25 time to look at things such as truck farming.

26 Another problem in our area is the out-migration of youth, a lot of youth  
27 are having to leave farms. It's a great opportunity for young people to stay, but we really  
28 need to take a look at a couple of opportunities. We think a feasibility study would be  
29 good to have some good hard numbers up there and have something to back up these  
30 numbers. This is an opportunity to get the farm communities thinking and people that  
31 work with the farm programs in the areas thinking on the same page. I think we can do a  
32 good job with that and make some recommendations and find out what kind of things  
33 they're looking at to do, I think that is a commercial kitchen and the livestock facility.

34 DELEGATE JOHNSON: Any questions? All right, thank  
35 you.

36 Southwest Virginia Agriculture Association.

37 MR. ALAN STRAW: Mr. Chairman and members of the  
38 Committee, I'm Alan Straw. I'm with Southwest Virginia. I'm representing Peter  
39 Snodgrass, Southwest Virginia Ag Association. It's a pleasure to be with you all today. I  
40 want to thank the Staff for the work you've done and the help and cooperation up to this  
41 point.

42 Our project is oriented toward the producers that have been directly  
43 impacted. No matter what you're doing, a lot of people are looking for alternatives. I've  
44 worked with the Extension for five years now, and I've worked in agriculture for almost

1 twenty years of my life in terms of in an experiment station. I was raised on a livestock  
2 farm.

3 The biggest problem I've seen through the years is that when  
4 someone comes up and says, I want to start a new enterprise, and it costs  
5 \$25,000 to do it, and can I have the money to do that.

6 The second thing you need is the expertise and someone to help them do  
7 it, somebody to hold their hand and help them walk through the first year or two. Too  
8 many times new ideas come along, and it sounds attractive, and you can make a lot of  
9 money. I'll give you a great example. My brother was in the freshwater shrimp business.  
10 It was reported you could make \$5,000 an acre and after the seventh year, said we  
11 average 1500 an acre off of freshwater shrimp. But he had somebody holding his hand to  
12 make 1500 and didn't lose their shirt like a lot of people who got into that business did.

13 Our goal with our project, and that is to implement a center that we can  
14 demonstrate to growers how to grow vegetables, or a specialty crop. We want to  
15 implement. In other words, have some equipment they can use the first year, go out with  
16 them the first year, and we'll come out and help you put down what you need with some  
17 expertise, but you're going to have some expense, because you're going to have to buy  
18 plants, fertilizer and things like that. Our goal is to help you get started. If that first year  
19 is successful and you want to continue the next year, you can go out and buy the  
20 equipment and carry on from there. If you try it the first year and it isn't what you want  
21 to do, you haven't spent 25 or 30 or 50 thousand dollars of your money to go out and get  
22 into this enterprise that was not what you wanted to do or needed to do. That's our goal  
23 to help you.

24 I appreciate the opportunity and time to come and speak to you today.

25 DELEGATE JOHNSON: Sir, 133,000 Virginia Tech  
26 salaries, I guess that's per year. Half the first year, what happens then?

27 MR. STRAW: That'll be still be there, annual contribution.

28 DELEGATE JOHNSON: Who is going to pay it?

29 MR. STRAW: My salary, for instance, is included in that,  
30 and mine is paid from Virginia Tech on state funds yearly.

31 DELEGATE JOHNSON: Why would you need 133, then,  
32 if they're paying it?

33 MR. STRAW: Maybe I just misunderstood you. Those are  
34 matching funds.

35 DELEGATE JOHNSON: Matching funds, Virginia Tech  
36 would continue picking it up, the 133?

37 MR. STRAW: Yes.

38 DELEGATE JOHNSON: Any other questions? Thank  
39 you, sir, you all do good work, I'm very impressed with your work.

40 Southwest Virginia Higher Education Center.

41 MR. PFOHL: Mr. Chairman, the Export Initiative folks are  
42 aware of the Staff's recommendation. They reported to us that the purchase orders from  
43 Mexico for Christmas trees this year has not come through, so they're going to reassess  
44 their marketing. I'm sure we'll hear from them in the near future as well.

1 DELEGATE JOHNSON: Virginia Polytechnic Institute  
2 and State University, the Agriculture Loan System Program.

3 MS. SLAVIK: Good afternoon. Thank you very much for  
4 the opportunity to appear before you today. I understand the Staff's recommendation  
5 about lack of regional projects and the few people that we would be impacting. As Alan  
6 mentioned, there is a lot of money that you can lose in agriculture, particularly if you're  
7 not trained and if you go into it without clearly thinking about what you're doing. We felt  
8 it would be best to start small with this project, put four people out there and allow  
9 producers to try to handle that for two or three years and see if they can be the kind of  
10 person it would take to raise fish. It's like being in the dairy business, because you have  
11 to be there seven days a week to take care of the fish, and it's not for everyone. With  
12 those four people after a two or three year period of time will then return their system,  
13 and then another system would be purchased for four more people for the next round, and  
14 this would continue on for a number of years.

15 We also feel that this is a good way for those people who just aren't ready  
16 to make that commitment of seven days a week looking and playing with fish, they can  
17 go on and decide if this is for them. You can raise fish without the knowledge, because I  
18 went in and then was left completely by myself for almost a year before I got a fish  
19 expert in. It's something you can do, but you really have to want to do it. If you don't  
20 like fish you're not going to make a success of it, and you're not going to be there very  
21 long. We feel that this is a very good opportunity for people to have, either try it or see  
22 someone else try it or also workshops and training programs for them to learn about  
23 aquaculture. We're planning a session on January 17th, this will be free to the public,  
24 and you all are invited, we're going to get an overview of aquaculture there and kick off a  
25 series of workshops and information sessions for the public, for those that are truly  
26 interested in learning more about aquaculture.

27 Any questions? Thank you.

28 DELEGATE JOHNSON: Virginia Polytechnic Institute  
29 and State University Switch Grass.

30 MR. PFOHL: Mr. Chairman, I spoke to the project leader  
31 on this, they're aware of the Staff recommendation, very interested in working with some  
32 other departments and faculty and researchers at Virginia Tech that have also approached  
33 the Staff about the switch grass, which is a potential source of bio-energy and bio-fuel  
34 and production. There are good expectations about production of this. Virginia  
35 Dominion Power is interested in learning more about it. These parties understand the  
36 Staff's recommendation, and this would be coordinated with other Virginia Tech faculty,  
37 and they're going to look into this, and they can come back with a more complete request  
38 at a later time.

39 DELEGATE JOHNSON: Thank you.  
40 Virginia State University.

41 MR. TURNER: Good afternoon, my name is Clinton  
42 Turner, Interim Dean at Virginia State University. This project is in four phases, we  
43 prioritized the different phases that we have. We started with aquaculture, and then we  
44 went to another phase, and then the third phase is technology, and the fourth dealt with

1 special crops. We want to thank the Staff for your recommendation and the Commission  
2 to give us an opportunity to come before you, the new office of the Secretary of  
3 Agriculture, the Agribusiness Council and the Halifax Ag for their support in this project  
4 and the Farm Bureau.

5           There are two phases we're looking for, the Staff and we agree.  
6 The aquaculture that we're partnering with the Virginia Aquaculture Association. We've  
7 assisted them in getting a grant from USDA in the sum of about \$50,000. The work we're  
8 doing with that grant, basically look at marketing of the species that can be grown in the  
9 farm ponds and that type of thing. With the money from the Tobacco Commission we  
10 would be looking at the equipment to haul fish from one place to another, also a one  
11 hundred percent Staff person devoted to just this project. There will be other Staff  
12 individuals that are there at the campus that will be in support of this particular project.

13           The Virginia Association of Aquaculture assured me they're picking up  
14 and the membership between 15 and 20, of out of which the 15 and 20 there'll be 10 to  
15 15, we hope, individuals in Southside Virginia that are tobacco farmers that would be  
16 interested in using their ponds for aquaculture.

17           At Virginia State we have a herd of about 400 and some goats and hair  
18 sheep. We're going to reduce the herd to less than half so, that would be somewhere like  
19 200 goats and hair sheep that after we get clearance and working with Extension Agents  
20 in the various areas of Southside and Southwest to make them available to farmers to  
21 jump-start. We know that the hair sheep out in Southwest Virginia is a great project and  
22 doing great things. We also know that on the East Coast there is quite a market for goat  
23 meat, up and down the east coast in those various ethnic communities on the east coast.  
24 With that project we'll also employ one individual to work full time on just this particular  
25 project, even though we'll have the researchers to back that person up. A young lady  
26 doesn't know it yet, and she's already on board, she's working on research with farmers,  
27 and we're going to switch that person to work one hundred percent on those projects.

28           MR. BRYANT: The aquaculture that you are promoting,  
29 are you talking about using farm ponds, or is that existing, or are you building a new one?

30           MR. TURNER: That's a combination of both. There are  
31 individuals with farm ponds out there, and there are members of the aquaculture  
32 association in the process of putting in new ones. That's the reason we have to haul and  
33 move fish from the hatchery back to the farm ponds, and we need equipment to bring the  
34 fish products back to the processing plant; we have a new processing plant.

35           Thank you very much.

36           DELEGATE JOHNSON: Thank you. VMA Horticulture  
37 Research Foundation.

38           MR. FRED DUIS: Mr. Chairman and members, I want to  
39 thank you for the support you've given us. I'm Chairman of the Virginia Nursery and  
40 Landscaping Association. The Committee is now called the Beautiful Gardens Project.  
41 You all were very supportive in 2004 to grant us monies to begin testing sites across the  
42 tobacco region. I'll give you a short report on the progress we've made.

1           We've established various test sites at Southwest Virginia AREC Center  
2 and a center in Bedford, and South Boston and Halifax County. Those sites include  
3 fencing, wells, piping for water, tillage and the first initial testing has been done.

4           We've established an educational program. I've got some documentation  
5 here that might be helpful. The educational program includes the Master Gardener, Dr.  
6 Conev has developed a data collection system, and that will be the basis for evaluation.

7           We've adopted the name Beautiful Gardens. I have copies of that  
8 information as well. We liked the name Beautiful Gardens because it's customer-  
9 oriented, and we picture that in garden centers across the state, actually across the region.  
10 We've asked customers to plant in areas that are identified with this logo.

11           One of the most important things that we have done over the last year or  
12 so is to hire Dr. Conev. He has a Ph.D. in Horticulture. He's worked many years with  
13 plant selection. He's worked in Israel and Spain and Canada. He has allowed us to move  
14 further in our association with plant breeders and university researchers. Because of his  
15 expertise and knowledge, he's developing many peer relationships, and one of those is at  
16 the Ohio State University. The center which holds either 3500 seeds or live plants or  
17 various plant materials which are native areas of this country and across the world. Folks  
18 like Dr. Margaret Pooler with the National Arboretum in Washington, Dr. Pooler  
19 hopefully will serve on the Advisory Committee. That's the USDA facility that holds  
20 germ plasma that is accessible to citizens of this country.

21           We developed a relationship with the Lewis Ginter Botanical Garden, the  
22 Norfolk Botanical Garden, Virginia Tech, and with the Cooperative Extension. Also,  
23 developing a relationship with agriculture enterprises across Southside and other ag  
24 support businesses. We're developing a relationship with certain individuals in  
25 Clarksville, and they are producers of a different type of rose, and it's a plant that blooms  
26 in January and February. The problem with the roses is that it is very difficult to  
27 propagate them. You can make your crosses pollen to one plant, if you develop a  
28 superior plant, then it's hard to propagate it. Dr. Conev and Dr. Barry Flinn are forming  
29 an agreement with the Tylers to develop protocols. They think they can be successful in  
30 doing this. This will be a major breakthrough in the horticulture industry. The Tylers  
31 have a wonderful business, and they have shipped teleflora to 49 states. We're excited  
32 that they're looking to us for assistance, and we're looking to them for that.

33           We also have a relationship with Windy Acres Nursery in Chatham. It's a  
34 conventional nursery that propagates plants. They have agreed to be a site for  
35 conventional, for the study of conventional propagation techniques.

36           We've formed an agreement with Berry Hill Irrigation in Clarksville to  
37 provide irrigation across the three test sites. This is something we didn't know we could  
38 do initially, but we think we should, and because of some savings in site development  
39 we're going to be able to do this.

40           Beautiful Gardens is now poised from this point on to attract plant  
41 breeders to work with them at Virginia Tech. Virginia Tech is adding a plant breeder to  
42 its, a plant breeder specialist to its staff, and we will be able to help support him. We're  
43 also forming relationships with special interest groups so we can attract germ plasma  
44 from them.

1           One aspect we did not anticipate, these facilities could test plants for plant  
2 producers around the world and across the country. One of the problems with  
3 introducing plants into the nursery and into the market is that they're not tested, and there  
4 are a lot of questions about this, and propagation techniques and so on, and information  
5 that we don't know. Thanks to you all, we've developed a testing system across Virginia,  
6 and that could be very, very attractive to people in states that don't have a system like  
7 that. As far as I know, we'll have the most extensive testing of any state in the United  
8 States.

9           Hopefully in 2007 we will begin to see some plants moving into the  
10 pipeline and the greenhouse propagation facilities and nurseries and gardens and  
11 landscapers and so on. What we're doing is branding the products that are coming out of  
12 Virginia nurseries. We feel as though we're going to have products that are every bit as  
13 good as anywhere else. There is a lot of competition out there. We want to be poised to  
14 take advantage of that.

15           By nature, plant testing is a slow process, and you have to be patient. We  
16 appreciate your patience is in allowing us to work through this. We ask you to consider  
17 supporting us for another year. As I said, Dr. Conev is a much more capable person than  
18 we ever thought we could hire. With your help we'd like to be able to keep him, and he  
19 certainly can help us in the scientific and agriculture community.

20           I'd like to introduce him at this time, and he might have a few words to  
21 say. Certainly he could answer questions.

22                     DELEGATE JOHNSON: Are there any questions?

23                     MR. DUIS: His office is in Danville.

24                     DELEGATE JOHNSON: Are there any other questions?

25 Thank you, sir. That takes care of all the requests.

26           Before we start voting on these I want to thank Mr. Stephenson our Acting  
27 Executive Director and his Staff for the hard work and the commitment and the devotion,  
28 and after reading through these summaries it demonstrates to me that there's been a lot of  
29 time and thought put into this, and we appreciate it.

30           Now, there's not enough money to go around, and that's it. I couldn't find  
31 a single application or request that wasn't worthy of funding. They're all good, and some  
32 might be considered a tragedy if they don't get funded, because there's so many  
33 possibilities. We don't have the money, and we can't write a check, because the money is  
34 not in the bank. As we go through these and vote on them, please bear in mind that we  
35 have limited funds. I think the Committee decided at the last meeting that we would  
36 direct our attention or the thrust or the focus on regional projects, and I think the Staff has  
37 recommended projects that would fit into that category.

38                     MR. BRYANT: I have a question for the Staff. The  
39 Horticulture Research Foundation we just heard from, the recommendation says that  
40 money obligated and not used for a period of almost one year. Would you expand on that  
41 a little bit?

42                     MR. PFOHL: Mr. Bryant, the award that your Committee  
43 recommended to the Full Commission last year is still active, and they'd be able to draw  
44 from those funds, they expect those funds to carry them through October of '06. They're

1 basically asking us to obligate funds at this point to help them start their third year of  
2 research in October.

3 MR. BRYANT: If we do not appropriate any funding for  
4 that at this time, it's not necessarily closing the door on something we approved in the  
5 past?

6 MR. PFOHL: That's right.

7 DELEGATE JOHNSON: Any other comments? All right,  
8 do I hear a motion. The Staff has recommended, and no need to beat around the bush.

9 MR. BRYANT: I'd make a motion, Mr. Chairman, that we  
10 accept the Staff's recommendation.

11 DELEGATE JOHNSON: We have a motion that we accept  
12 the recommendation of the Staff. For those in the audience, the Staff has recommended  
13 adding the Feeder Cattle Association, Inc., \$350,000, that's \$50,000 more than half.  
14 Amelia County Southside Value- Added Beef Initiative Expansion Project, \$300,000.  
15 Virginia State University, the Rural Virginia Agribusiness Initiative, New Directions and  
16 Profits for a New Generation, \$250,000; making a total of \$900,000. We have in our  
17 account \$903,394 with those three projects that have been recommended. That leaves us  
18 with a balance of \$3,394. As I mentioned to the audience, with the regional approach to  
19 it, Staff, the Committee feels this is the best approach and serves more people throughout  
20 the region. Some of the requests, I think, should be in other committees. The smaller  
21 ones, maybe later, can be funded under another committee rather than this. With our  
22 more or less adopted guidelines, we're looking at regional, and the smaller ones do not fit  
23 into that category.

24 The Town of Abingdon, I'd love to make a motion that they be  
25 granted, and that's a worthy project, but yet we have to do what we've got to do.

26 MR. MAYHEW: I'll second the motion.

27 DELEGATE JOHNSON: We have a motion and a second.  
28 Any further discussion? All in favor of the motion let it be known by saying aye?  
29 (Ayes.) Opposed, no? (No response.) This motion will read that the Agribusiness  
30 Committee recommends to the Full Commission that those three projects be funded.  
31 That does not mean that the Full Commission will adopt this, which meets January the  
32 10th, 2006. They may find reason to change this or find reason to add some of the things  
33 that I think are worthy, so that's our recommendation.

34 Now, public comment. Is there anyone here that wants to say anything for  
35 the benefit of the farming community?

36 Again, we appreciate your time in participating in this meeting. We're  
37 able to get things done because you participate. Again, I want to thank the Staff and each  
38 and every one of you for your hard, devoted commitment to the Tobacco Commission.

39 MR. STEPHENSON: Mr. Chairman, for the benefit of the  
40 agriculture community I would ask the Chair to set another grant deadline in anticipation  
41 of another budget funding round. I'd suggest that we pick that for November 1, 2006 for  
42 another Committee meeting to be held on December 6, 2006.

1 DELEGATE JOHNSON: In Abingdon, Virginia. We have  
2 a motion that the Agribusiness Committee meet December 6, 2006, that deadline for  
3 applications is November 1, 2006 at a location to be decided upon.

4 Do we have a motion to adjourn?

5 MR. WEST: I so move.

6 MR. STALLARD: Second.

7 DELEGATE JOHNSON: Discussion? All in favor say  
8 aye? (Ayes.) Opposed no? (No response.) The ayes have it, we're adjourned.

9  
10 PROCEEDINGS CONCLUDED.  
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17 CERTIFICATE OF THE COURT REPORTER  
18  
19

20 I, Medford W. Howard, Registered Professional Reporter  
21 and Notary Public for the State of Virginia at large, do hereby certify that I was the court  
22 reporter who took down and transcribed the proceedings of the **Agribusiness Committee**  
23 **when held on Thursday, December 8, 2005 at 1:00 p.m. at the Multi-Purpose Room,**  
24 **Reynolds Homestead Continuing Education Center, Critz, Virginia.**

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

27 Given under my hand this \_\_\_\_ day of December, 2005.  
28  
29  
30  
31

32 \_\_\_\_\_  
33 Medford W. Howard  
34 Registered Professional Reporter  
35 Notary Public for the State of Virginia at Large  
36  
37

38 My Commission Expires: October 31, 2006.  
39  
40