

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

**VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY
REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Agribusiness Committee Meeting
Tuesday, December 14, 2010
11:00 a.m.

Hotel Roanoke
Roanoke, Virginia

1 **APPEARANCES**

2

3 The Honorable Joseph P. Johnson, Chairman

4 Mr. Kenny F. Barnard

5 Ms. Gayle F. Bartz

6 Matt Conrad, Assistant Secretary of Agriculture

7 Mr. Jordan M. Jenkins, Jr.

8 Mr. Kenneth O. Reynolds

9 The Honorable W. Roscoe Reynolds

10 The Honorable Thomas C. Wright

11

12 **COMMISSION STAFF**

13 Mr. Neal Noyes, Executive Director

14 Mr. Ned Stephenson, Deputy Executive Director

15 Mr. Timothy J. Pfohl, Grants Program Administration Manager

16 Ms. Sarah Capps, Grants Program Administration Manager

17 Southside Virginia

18 Sara Williams, Grants Program Administration Manager

19 Southwest Virginia

20 Ms. Stephanie Kim, Director of Finance

21

22 **OFFICE OF THE ATTORNEY GENERAL**

23 Mr. Francis N. Ferguson, Counsel for the Commission

24

25

1 December 14, 2010

2

3

4 DELEGATE JOHNSON: Good morning
5 everyone, I want to welcome you all now to the Agribusiness
6 Committee meeting on Tuesday, December 14, 2010 in
7 Roanoke, Virginia. I'd like to welcome everyone here today. I
8 hope we'll be able to complete our business fairly quickly and
9 then we'll get ready to go back home before any weather comes
10 in, we'll just move right along. I thank everyone for coming
11 and we have a quorum. There is another committee meeting
12 today at 1:00 o'clock and we'll be finished hopefully long
13 before they meet. At this time I'll ask our Executive Director,
14 Mr. Neal Noyes to call the roll.

15 MR. NOYES: Certainly Mr. Chairman.
16 Delegate Abbitt?

17 DELEGATE ABBITT: (No response).

18 MR. NOYES: Mr. Barnard?

19 MR. BARNARD: Here.

20 MR. NOYES: Ms. Bartz?

21 MS. BARTZ: Here.

22 MR. NOYES: Mr. Matt Conrad?

23 MR. CONRAD: Here.

24 MR. NOYES: Mr. Cundiff?

25 MR. CUNDIFF: (No response)

1 MR. NOYES: Mr. Cundiff isn't here today. Mr.
2 Jenkins?

3 MR. JENKINS: Here.

4 MR. NOYES: Delegate Johnson.

5 DELEGATE JOHNSON: Here.

6 MR. NOYES: Mr. Montgomery?

7 MR. MONTGOMERY: (No response).

8 MR. NOYES: Mr. Reynolds?

9 MR. REYNOLDS: Here.

10 MR. NOYES: Senator Reynolds?

11 SENATOR REYNOLDS: Here.

12 MR. NOYES: Mr. Stallard?

13 MR. STALLARD: (No response).

14 MR. NOYES: Delegate Wright?

15 DELEGATE WRIGHT: Here.

16 MR. NOYES: Mr. Chairman, we have a
17 quorum.

18 DELEGATE JOHNSON: We're properly
19 constituted to conduct business that comes before us this
20 morning. Now, can we have approval of the minutes of April
21 15, 2010. I assume the minutes were emailed to everyone and
22 hope everyone received a copy or had access to the minutes.
23 Do I have a motion to approve the minutes? All right. I have a
24 motion and a second. All those in favor of approval of the
25 minutes of April 15, 2010 signify by saying aye (ayes).

1 Opposed no. (No response). The minutes are approved.

2 MR. NOYES: I'd just like to make mention that
3 Mr. Cundiff isn't here. He had an accident with one of his
4 cows yesterday and he was hospitalized but he's coming home
5 today and he's unable to be present here this morning.

6 DELEGATE JOHNSON: All right. We will go
7 ahead with the agenda and ask Mr. Tim Pfohl to go through
8 the applications and recommendations of the staff. Is there
9 any objection to that, we'll deal with those or any comments
10 after the presentation. If any of you have any questions or
11 committee members have questions at the completion of the
12 presentation, we can take up the questions if that's all right.

13 MR. PFOHL: Good morning everyone. The
14 staff published the guidelines and application material for
15 fiscal year 2011 agribusiness with no further due date. We
16 received 17 proposals by the due date and one proposal was
17 subsequently a couple of weeks later. One of the proposals
18 has been withdrawn which is number 2252. That's for
19 growing Virginia utilizing diversified crops. That's been tabled
20 for consideration today. Your committee's balance this year of
21 budgeted funds and carry forward and also some unused
22 indemnification funds that were shifted to you at the October
23 Commission meeting. You have a balance available to you of a
24 little over \$3 million and your proposals run over \$5 million.
25 The staff has recommended 11 of those projects for some level

1 of funding. The staff report was sent to you last week and
2 there are some conditions that we're seeing on several of these
3 proposals. All the recommendations are on the screen behind
4 me. After those 11 funding proposals were, there's actually
5 \$168,000 on the table for you today to use as you see fit. I
6 believe you've received the summary and all the proposals and
7 the staff comments and recommendations. If you prefer, I can
8 go through those individually or just move any projects you
9 have questions about or any that you'd like to discuss at
10 length.

11 DELEGATE JOHNSON: Just go ahead and
12 briefly go through each one and if there are questions, we'll
13 take them up at that time.

14 MR. PFOHL: All right. The first one is 2247,
15 Appalachian Agriculture Exposition Center. The staff once
16 again suggest that there are some unresolved issues
17 pertaining to the purchasing of the building. We don't see that
18 that really is helping them get being able to obtain that
19 structure and make it usable for purposes of, they certainly
20 got good intentions but it's a steep hill to climb to obtain that
21 facility and get it operating. The staff isn't recommending
22 funding at this time for that project.

23 Next is 2255, Brook Hill Retirement Center for
24 Horses Multi-purpose Equine Care and Educational Building
25 request for 350 thousand. This is a nonprofit horse rescue

1 center in Bedford County requesting funds to construct on
2 private property a new 16,000 square foot multi-purpose
3 equine care and education building to house two classrooms
4 and so forth. I believe they currently have 7 stalls but they
5 say they usually serve about 25 to 35 neglected horses on the
6 property at any one time, more than 350 since the group's
7 inception in 2001. The group operates a horse rescue,
8 rehabilitation, foster care and equine education program that
9 typically serve 25 to 35 neglected horses. They're requesting
10 to build 33 stalls, offices and labs. The staff is concerned that
11 there would be justifiable funds to build the building for this
12 nonprofit on land that is owned individually by the leader of
13 the nonprofit organization. That's going to cause a problem so
14 as a result, the staff is recommending no funding at this time.

15 Number three, 2256, Campbell County Central
16 Virginia Commodity Storage Initiative Phase II requesting
17 \$439,600. This is essentially for phase II of the center entitled
18 the Central Virginia Commodity Storage Initiative Phase II.
19 This project was funded last year and serves 13 Southside
20 counties. In fiscal '10 it was 500,000 to include the original
21 13 Southside counties and then an additional four,
22 Brunswick, Dinwiddie, Greensville and Sussex. The new
23 counties will be given a base amount of \$49,500 per county to
24 serve 15 participants in each county while the original
25 counties will receive an additional base amount to serve five

1 new producers that are currently wait listed. There will be
2 some funds allocated on the formula basis and this would be a
3 dollar for dollar two to one cost share. Last year they received
4 \$3,333 per participant. The result of that cap is that most of
5 their interest was in applying for hay storage, that's of a less
6 costly nature. We're being asked to raise the cap up to 10,000
7 for large grain storage bins to include eligibility of used bins
8 and reapplication of previous individual grantees for amounts
9 not to exceed the difference between their grant last year and
10 the new individual cap. We're recommending an award of
11 \$400,000.

12 Number four, 2253, Cumberland IDA Ag-
13 Renewable Resources, Cumberland Business Park Phase II,
14 \$850,000 is requested. Funds are requested for access road
15 construction and to purchase equipment for a private farmer
16 owned LLC that intends to develop a methane digester in the
17 county's industrial park, which will accept poultry waste as
18 the principal feedstock. The digester will generate electricity to
19 be sold to the regional power grid, in addition to organic
20 fertilizer and compost that will be sold to farms and other
21 users. The application states a performance agreement will be
22 executed with the LLC to commit to \$7 million of private
23 capital investment and the return of the Tobacco Commission
24 funded equipment to the County IDA in the event of the
25 operation's closure. The digester vessel will be owned by the

1 County IDA as well as 200,000 for the access road
2 improvements to get to the property. The road will benefit the
3 project as well as other future occupants. The staff is
4 recommending the \$850,000 contingent on the IDA ownership
5 of the digester vessel and completed financing and permitting
6 of the overall project.

7 The next project is Franklin County
8 Southwestern Virginia Commodity Storage Initiative Number
9 2244, \$950,000 is requested. Franklin is applying for funds to
10 replicate the Campbell County Commodity Storage Incentive
11 Project in all 14 Southwest Virginia Tobacco region counties
12 and the Southside counties of Franklin, Henry and Patrick.
13 Those projects aren't served by the Campbell project that I
14 talked about before. The project leaders are agreeable to
15 making the program guidelines as consistent as possible with
16 the existing Southside Commodity Storage Program reducing
17 the Tobacco Commission's contribution to no more than 33
18 percent of eligible costs, up to \$3,333 for hay storage facilities
19 and \$10,000 for large grain bins. That \$3,333 is per producer
20 similar to Campbell County's project. If you take the second
21 round of funding for Campbell and in addition the first phase
22 last year that Campbell is requesting here, it's almost the
23 identical level of funding serving a similar number of counties
24 17 in both cases. If there's any questions about that we can
25 come back to it.

1 Commission's Executive Director. I can't tell you at this point
2 that we're seeing all this in the performance agreement but if
3 the Company maintain operations and abides by the
4 performance agreement the useful life of the equipment
5 probably should be the crux of the performance agreement.
6 We can come back and discuss that more fully if you wish.

7 Next is the request 2262, Lunenburg County
8 No Bees No Crops, \$24,080 is requested. Funds are requested
9 by the County on behalf of the Freestate Beekeepers
10 Association, Lunenburg based organization that serves 6
11 Southside counties. Funds would continue the beekeeper
12 recruitment that began with the 2008 Tobacco Commission
13 grant using 14,000 of the nearly 95,000 multi-regional grant
14 which serves Southside and Southwest. These funds would be
15 used for 20 new adult beekeepers with up to 400 each for a
16 beginner's kit, two packages of bees and cost shared
17 equipment and supplies for 50/50 cost shared assistance to
18 30 existing beekeepers. Total project cost is \$55,120. This
19 application indicates that they're interested in focusing on the
20 potential percentage increase and yields as a result of
21 pollination. The original application only propose working
22 with beekeepers in three Southside counties, however, the
23 applicant has since indicated an interest in partnering with
24 the Heart of Virginia Beekeepers Association with membership
25 in five additional counties which include Cumberland,

1 Buckingham, Charlotte, Appomattox and Amelia. This will
2 result in 8 counties being served by the project and the
3 applicant has expressed a willingness to provide baseline
4 levels. The staff is recommending an award of \$24,080 which
5 is the requested amount with some restrictions on the use of
6 funds which we can go into further detail if you want to.

7 Number 2257 Partner Virginia, Partner
8 Virginia Farmer Growing Plan, \$603,041 requested. Those
9 funds are being asked to help establish a nonprofit status and
10 request funds to promote high tunnel growth of food products
11 to serve retail grocers. Working in partnership with a for profit
12 LLC Produce of Virginia, Partner Virginia is requesting
13 personnel expenses \$300,000 and contractual services to
14 conduct a feasibility study, economic impact study and other
15 legal and organizational expenses. The applicant has not yet
16 obtained the 501(c)(3) nonprofit status so we felt they're not an
17 eligible applicant according to the funding policy at this point.
18 We feel the concept has some potential and may have merit.
19 Matching funds are anticipated from the City of Danville for
20 site development and operating costs. Their requests shows
21 no significant evidence of organizational development to date,
22 no indications the feasibility of the concept has been
23 examined, an no written evidence of the proposed commitment
24 by the City of Danville. The project would greatly benefiting
25 from technical assistance and vetting by Dan River Business

1 Development Center. Pending receipt of the IRS nonprofit
2 designation the applicant is not yet an eligible organization to
3 apply for Tobacco Commission funding and the staff
4 recommends no award.

5 The next project is 2252, Pittsylvania County
6 Growing Virginia Utilizing Diversified Crops that has been
7 withdrawn by the applicant. RJASECO Establishing the Base
8 for Career Food Engineer Training and Employment number
9 2242 requesting \$143,719. They are requesting funds to
10 establish a food production training facility on farm property
11 in Northern Halifax County. The site will be used to train 156
12 career food engineers who would be employed to grow food
13 products that would be provided to members of the 25¢ farm
14 and market club. The club would be organized through
15 churches in Halifax, Pittsylvania and Charlotte County to
16 provide pre-ordered and pre-bought vegetables and field fruits
17 produced by the Career Food Engineers to 580 unemployed
18 and/or lower income club members. All products would be
19 sold for a fixed price of 25¢ per pound. Membership fees and
20 sales revenues would purportedly sustain the operation
21 including crop production, operating costs and engineers
22 annual salaries. The proposal has noble objectives but
23 provides only a brief operating pro forma that is largely grant
24 dependent. There is not yet a thorough business plan or
25 sufficient evidence of how this effort will be cash flow positive

1 and sustainable, which raises significant concerns that the
2 grant funded properties, would eventually convert to single
3 family residential and private farm use. The applicant should
4 continue to work with the technical assistant services from
5 Longwood Small Business Development Center. We might end
6 up in a situation where down the road this could be very
7 questionable and we'd like to see them develop or come back
8 and develop this business plan at a future date. At this point
9 we'd recommend no award.

10 The Town of South Boston, Downtown South
11 Boston Farmers Market Expansion number 2254 requesting
12 \$78,825. The Town is requesting funds to expand a 12 stall
13 market structure built in 1991 by adding a new covered
14 structure and two restrooms along with equipment and site
15 improvements. The current structure is often overflowing with
16 34 vendors that participate at various times. The Town
17 includes a quote from the manufacturer/builder of the original
18 structure for 1,680 square foot addition that could
19 accommodate an additional 12 vendors. Current vendors
20 report average annual sales of \$5,000 each, based on a two
21 year track record of surveying vendors regarding sales and so
22 forth. We're recommending a full award of \$78,825.

23 Town of South Hill, South Hill Farmers
24 Market, 2243 requesting \$340,000. Funds are requested to
25 construct three open sided covered structures and enclosed

1 restrooms at the current market site in downtown South Hill.
2 The market site was established on a paved Town parking lot
3 in 2005. The three requested structures will provide cover for
4 up to 16 vendors and the structures will accommodate a total
5 of 12 vendors while a third structure will be built to allow for
6 trucks of up to 16 foot in height to back under the cover. The
7 proposed restrooms will be attached to the adjacent R.T.
8 Arnold Library. Participation has grown from two to three in
9 the initial years to an average of 10 vendors per day. This is
10 one of the largest dollar amounts requested to date for a
11 market site, it includes \$95,000 restroom addition to a public
12 library that already has indoor restrooms and \$15,000 for
13 administrative management fees that are contrary to our
14 policy. The case has been made for needing the taller truck
15 shelter is no so strong leading us to suggest that a lesser
16 amount for the two lower structures and related site
17 improvements would be a significant upgrade to the market at
18 lower costs. The cost of the individual structures are not
19 broken out in the contractor's quote but equates to \$72 per
20 square foot. The staff recommends an award of \$150,000 not
21 to exceed 90 percent of actual direct cost to construct shelter
22 structures and site improvements, excluding administrative
23 grant management fees.

24 The next request is Town of St. Paul, Clinch
25 River Farmers Market number 2258, \$130,000 plus is

1 requested. The Town requests funds to construct a covered,
2 open sided 1,800 square foot market structure; the market
3 has operated for the past two years generating reported sales
4 of \$80,000 from 22 vendors, averaging 9 vendors per day.
5 This serves local residents from Wise and Russell Counties, in
6 addition to tourists 5 percent. The majority come from Russell
7 County farms. A USDA rural development grant of \$11,250
8 was awarded in September of 2010 for market equipment.
9 The structure will include 12 vendor stalls. The market now
10 has a two year track record of positive vendor participation
11 and product sales. Staff recommends an award of \$100,000
12 for 90 percent of actual direct construction costs, contingent
13 on written evidence of Town operational maintenance support
14 and evidence that easements will allow construction of a
15 permanent structure and overall evidence of these conditions
16 being met.

17 The Town of Stuart, number 2263, Stuart
18 Farmers Market EBT/Debit System, \$2,000 is requested.
19 Funds are requested to purchase a card swipe machine which
20 is a thousand dollars to allow the use of debit cards and the
21 federal supplemental nutrition assistance program vouchers at
22 the market, to train Town employees and market vendors on
23 how to use the equipment and process payment. The market
24 structure was recently dedicated and was built with Tobacco
25 Commission economic development grant support in FY08.

1 This is a very reasonable request of \$2,000. This equipment
2 will help them increase sales at this Farmers Market and
3 make it more customer friendly. However, other markets have
4 found other means of funding this type of equipment. Monthly
5 maintenance fees are also requested which is an operating
6 expense that the Tobacco Commission has not previously
7 funded for Farmers Markets. The staff recommends no award.

8 Sustain Floyd Feasibility study for value added
9 dairy processing facility in Southwest Virginia number 2251.
10 Twenty-seven thousand dollars is requested and this came
11 into the reserve by the nonprofit applicant to half of the cost to
12 contract for a study of the feasibility of establishing a value
13 added dairy processing facility to Floyd. The funds would be
14 matched dollar for dollar with a pending request to
15 Appalachian Regional Commission and also to study the
16 viability of using waste products to feed anaerobic digester to
17 generate power. The proposal was previously submitted in the
18 reserve fund due to ARC match requirement, and is perhaps
19 better suited for the agribusiness program while the back log
20 of pending reserve proposals awaits the availability of funding.
21 The request includes \$2,000 for the applicant staff to manage
22 the project which is contrary to Tobacco Commission funding
23 policies. Staff recommends an award of \$25,000 contingent
24 on ARC or other matching funds, and excluding grantee staff
25 salary.

1 Virginia Foundation for Agriculture Innovation
2 and Rural Sustainability Southside Agriculture Business
3 Expansion and Market Development Center number 2260,
4 \$235,000 is requested on behalf of the nonprofit cooperative
5 foundation with the Virginia Farm Bureau to continue support
6 of the Virginia Aquafarmers Network, a for profit LLC with 23
7 current members located producing farm raised channel
8 catfish, freshwater shrimp, hybrid striped bass and rainbow
9 trout primarily in 6 Southside counties following an
10 agribusiness grant to the Virginia Aquaculture Association for
11 similar support costs to VAN in FY08. Funds in this new
12 proposal are requested for personnel services, marketing
13 production, clerical, contractual services for travel, internet
14 marketing and others. Also to purchase harvesting and
15 transporting equipment for use by all members. A producer
16 cost share program that will provide one time grants of \$3,000
17 that would be matched dollar for dollar. The staff suggests
18 that a lot of this is operational expenses that we provided for
19 three years under a similar grant and some activity such as
20 producer cost share have been underutilized to date in the
21 earlier grant. An additional 30 months of support will be
22 contrary to our policy or our operational funding policies.
23 Staff recommends an award of \$25,000 for new equipment
24 only, with ownership title to be retained by VAFAIRS,
25 contingent on successful resolution of grant management

1 based business. The business is willing to sign a performance
2 agreement to hire three additional FTE employees. VSU is
3 committed to seek more affordable used rolling stock and
4 retain ownership of that truck and forklift while it is used by
5 private business and they will provide funds to conduct
6 training for additional producers as part of the extension
7 mission. This will actually double the amount of fruit moving
8 through the facility. As I said, they'll hire other people to move
9 the increased volume. Staff recommends an award of
10 \$300,000 contingent on VSU ownership of equipment and
11 completion of a performance based agreement with Cole Berry
12 Farm for onsite improvements.

13 We have a late file proposal by Abingdon
14 Feeder Cattle Association Beef for the Future, a project to
15 strengthen Southwest Virginia's largest agriculture industry
16 number 2274 requesting \$550,000. This nonprofit applicant
17 filed this application on November 16th, more than two weeks
18 after the announced November application deadline and funds
19 are requested for cost share programs to assist 200 producers
20 in improving their bulk feed storage structures, handling,
21 loading equipment, distribution, and so forth. Producer
22 grants would be limited to 3 to 5 thousand depending on the
23 practice and must be matched dollar for dollar by the
24 producer. Two percent of the funds are requested for
25 administrative cost reimbursements for copying, forms and so

1 forth. The late file proposal is submitted by the same
2 organization and project leaders that successfully
3 administered \$1.3 million of agribusiness beef cattle incentive
4 grants since 2002. The AFCA Project leaders have agreed to
5 assist Franklin County in administering that project in
6 Southwest and looking into aspects of this request that would
7 not be addressed in the Franklin proposal, and will advise
8 Tobacco Commission of revised priorities to target in this
9 request. As is the policy for all late filed proposals, staff defers
10 to the consensus of the Committee on this one.

11 That concludes the grant proposals although
12 we do have one piece involving Cumberland County.

13 DELEGATE JOHNSON: Thank you and the
14 staff for your presentation of these applications.

15 DELEGATE WRIGHT: Mr. Chairman, is now
16 the right time to ask questions? 2243, South Hill, is anyone
17 here from the Town of South Hill today? I know that Tim and I
18 had a conversation about this proposal and you talked to the
19 Town and I was concerned because they're not getting their
20 full amount that they requested. I believe they've satisfied the
21 representations in statements made.

22 MR. PFOHL: I've talked to those folks and
23 given the track record with the project, and Lake County and
24 the facilities adjacent to the site, they're doing very well. We
25 assured them that if they demonstrate use of this facility

1 correctly they're will be an opportunity for them to come back
2 to the Committee to ask for additional money for expansion.

3 DELEGATE WRIGHT: Number 2260, I'd like to
4 hear from management of this project or give the organization
5 a chance to speak to this if this is proper at this time.

6 DELEGATE JOHNSON: Let me do this first.
7 Are there any questions by the Committee members of Mr.
8 Pfohl's explanation of these projects?

9 DELEGATE WRIGHT: The amount of the
10 request, it seems like we've got some more money here. We
11 have a balance of \$168,352.

12 DELEGATE JOHNSON: We have this last
13 proposal excluding 2274, if we want to fund that we could do
14 that too, is that correct?

15 MR. PFOHL: Yes, Mr. Chairman. You'll see
16 after the staff recommendation there is a remaining balance of
17 \$168,352 and that's for the Committee to do as you please.
18 The balance in your account excluding the staff's
19 recommendations, you can use as you see fit.

20 DELEGATE JOHNSON: Any questions?

21 SENATOR REYNOLDS: Item number 2263,
22 Town of Stuart. Tell me what other localities have or what
23 they've done about obtaining funds. As I recall the staff
24 recommendation provides no funding for that because the staff
25 said that funds have been provided from other sources other

1 than from the Tobacco Commission. Could you tell me about
2 that?

3 MR. PFOHL: We certainly have several of
4 these farmers markets we've been involved in and it's been
5 some federal programs that have helped and this does help
6 sales. We have not been funding these debit card machines or
7 equipment for the farmers markets. When we've dealt with
8 this the folks have figured out how to get this from other
9 sources. Some have gone to USDA grants but as I understand
10 it, federal money is available.

11 SENATOR REYNOLDS: Have you talked to the
12 applicant about that? Do you know how time sensitive it is?

13 MR. PFOHL: I'll defer to their representatives
14 who are here today.

15 MR. JOHNSON: Then we'll talk about that a
16 little bit later. Thank you. Are there any other questions? If
17 not, let's talk about this late submittal.

18 MR. BLEVINS: Good morning everyone, I
19 apologize for our late filing. We have some other people here
20 that can also address this. This won't conflict with anything
21 Franklin County or what they're proposal is suggesting
22 because we think we can work very well with Franklin County.
23 Part of the application was recordkeeping and on the
24 recordkeeping side of things which is for these entries of all
25 the cost sharing and that includes individual producers but

1 we believe we can work just as well on the feeder cattle side,
2 work with Franklin County's proposal. We believe 100,000 in
3 this 12 county area we could show and that would be very
4 helpful and very effective, help the producers. Also effective in
5 showing impact with Tobacco Commission funds. I'll be happy
6 to answer any questions about it.

7 DELEGATE JOHNSON: Please understand
8 this would be working with Franklin County.

9 MR. BLEVINS: Yes. There was an item in
10 there about storage and that was my oversight and that was in
11 Franklin County's proposal. We're not trying to duplicate that
12 proposal.

13 DELEGATE JOHNSON: So you would agree to
14 work with Franklin County?

15 MR. BLEVINS: Yes.

16 DELEGATE JOHNSON: You requested
17 \$550,000, we have to consider some other items but maybe we
18 can come back to that request later on.

19 MR. BLEVINS: Yes, that would have a
20 tremendous impact on the producers in our area and our
21 economy.

22 DELEGATE JOHNSON: Well we're the
23 Committee and everyone here is happy to or pleased to know
24 that you will try to work together.

25 MR. BLEVINS: I don't understand all the

1 mechanics from the accounting standpoint but we can work
2 together with Franklin County. We certainly could work with
3 \$100,000.

4 DELEGATE JOHNSON: Do we have a motion
5 for \$100,000?

6 SENATOR REYNOLDS: So moved.

7 MR. REYNOLDS: Second.

8 DELEGATE JOHNSON: We have a motion
9 from Senator Reynolds and a second from Mr. Reynolds. Are
10 there any further questions? All in favor let it be known by
11 saying aye (ayes). Opposed. (No response). The ayes have it.

12 We now have that \$100,000 that brings us
13 down to \$68,352 that we have left and that can be
14 appropriated. Now, I think we'll take out of the block any
15 requests that you want to make a change to, if not, then we'll
16 vote on the block as a whole.

17 DELEGATE WRIGHT: I want to discuss 2260.

18 DELEGATE JOHNSON: I suppose we can do
19 that, let's go with the block we have now and then the \$68,352
20 we can decide later on or approve the block and then we'll
21 discuss that.

22 DELEGATE WRIGHT: Before we vote, I'd like
23 that out of the block and I'd like to discuss it.

24 DELEGATE JOHNSON: All right, please come
25 forward.

1 MR. BLACKWOOD: Let me just briefly say
2 that we have really been at this constantly for the last 7 years
3 approximately and we've been working closely with Virginia
4 State University and Virginia Tech and the Farm Bureau and
5 others of course, the Tobacco Commission and we certainly
6 appreciate your support that you've given us. Also the
7 Virginia Department of Agriculture. We're very new at this
8 and when we first got into this, we learned as we've gone
9 along. Mr. Pfohl said something about 20 or so farmers in
10 Southside Virginia were raising catfish and we have been
11 working very hard to find a market for our product and also
12 how to raise the product carefully so we have high quality
13 product for the public. It's taken us some time to posture
14 ourselves correctly and we've had some success in various
15 markets and farmers markets and we're trying to position
16 ourselves correctly for the future, also trying to help farmers in
17 that market. This is a very high quality product that we're
18 striving to produce. We knew as an initial recipient of this
19 grant and working with the Virginia Foundation, the
20 Agriculture and the Aquaculture Association which is a very
21 small group and a nonprofit group that didn't have a grant
22 managing committee if you will, when we did receive this. You
23 know, hindsight is also a 100 percent and I could go on on
24 that. What I can say is that we've learned a very hard lesson
25 but we've learned our lesson about certain things and we are

1 continuing to work very hard to make this a successful
2 operation and we're learning about this product and we're
3 doing very well but we still need some help.

4 We have been undercapitalized from the
5 outset. We've got a small group of people and this small group
6 of people has put money into this but we need to be able to
7 solicit on the internet and develop that market in the future so
8 we can sell our product. I feel like we're on our way to make
9 this a growing concern and we can make it a growing concern
10 in the next two or three years. Most of all, we can make a
11 difference and help farmers, something to turn to as a partial
12 product. We need your help to make this investor friendly and
13 no question about that. I know it's got to stand on its own two
14 feet and I believe we can. It's a little early for us to do it or we
15 just can't do it right now and that's why we need your help.
16 Again, I'd like to thank you for your support or your continued
17 support.

18 DELEGATE WRIGHT: The staff has
19 recommended \$25,000, what are your comments on that? We
20 know what you've asked for but what would you need that
21 would be necessary, if you couldn't get that, what would you
22 need?

23 MR. BLACKWOOD: I think it's vitally
24 necessary for us because although as the staff pointed out,
25 we've been unable to utilize all the resources in the last few

1 months and I think some people are scared but, scared to put
2 money into building something new. A lot of people don't
3 know about us and know what we're doing. I think it's very
4 important that we get out there and show what we can do and
5 bring more producers on board and get all of this technological
6 help we can. It's also important that we get the information
7 out into the market; of course cost sharing is another
8 important aspect. We need to get on the internet and
9 advertise and we need some help with legal things. We're
10 moving toward that even though we're moving very slowly. We
11 need a market manager and a production manager and sales
12 help. I understand that's an operational expense and you
13 don't want to fund those things but we need a market
14 manager. At some point we could handle it ourselves as the
15 company grows but we're not quite there yet. Virginia State
16 has been very helpful and we're trying to hold any of our
17 expenses down to a minimum.

18 DELEGATE WRIGHT: Are farmers interested
19 in –

20 MR. BLACKWOOD: We have some people that
21 are very interested but we just need to do more of this and get
22 the word out and be able to expand.

23 DELEGATE WRIGHT: Tim, the staff
24 recommended \$25,000?

25 MR. PFOHL: Yes.

1 DELEGATE WRIGHT: Are you satisfied that
2 those contingencies are met or can be met and will be in
3 order?

4 MR. PFOHL: We want some assurances.
5 We've supported this for three years under grant 1552 and
6 some things such as producer cost share have been
7 underutilized to date and an additional 30 plus months of
8 support is really contrary to the Tobacco Commission
9 operational funding policies. We're still seeking tax
10 information that shows the Tobacco Commission funded
11 activities have been reported as assets and activities of the
12 earlier nonprofit grantee. If we get some of that information to
13 show that proper accounting practices have been met. All this
14 should be documented when you're passing public funds or a
15 private business. We've gotten little information on this. We
16 need more information forthcoming.

17 DELEGATE WRIGHT: What's your level of
18 comfort if these contingencies were met as far as your
19 recommendations?

20 MR. PFOHL: If the contingencies are met, you
21 mean to increase the amount of the grant? To take care of the
22 cost share that was mentioned?

23 DELEGATE WRIGHT: If we could get a grant
24 from 25 to 85, would that take care of that, is that the
25 important part?

1 DELEGATE JOHNSON: Well, we should wait,
2 we've got people here that have got nothing and I'm sure they
3 want to be heard and I don't want to put Tim on the spot right
4 now.

5 DELEGATE WRIGHT: Well, we're talking
6 about increasing others.

7 SENATOR REYNOLDS: May I make a
8 suggestion in the procedure here? The staff has made a
9 recommendation for no funding on some and we ought to deal
10 with those if someone wants to have one of those withdrawn
11 from the block and then we could maybe do that. Why don't
12 we go through this first?

13 DELEGATE JOHNSON: Is everyone
14 comfortable with that approach. All right, thank you sir.
15 2247, Appalachian Agriculture Exposition Center, is there
16 anyone here to speak to that? Next Brook Hill Retirement
17 Center for Horses, 2255, anyone here to speak to that? Next
18 Partner Virginia 2257, anyone here to speak to that? Next
19 2263, Town of Stuart, anyone here to speak to that? Is
20 anyone here to speak to any of those? All right.

21 SENATOR REYNOLDS: The recommendation
22 is no funding and the comment has been made I believe that
23 other funds were available but they have not asked for this
24 and this may be the first one that we're being asked to fund
25 for this particular purpose. The suggestion was made there

1 are other sources of revenue, could you tell us what, if any,
2 other sources of revenue the Town has received to try to get
3 funds for this equipment?

4 MR. PFOHL: The Town really hasn't pursued
5 anything other than USDA and Ms. Adcock can take care of
6 that, she has been talking to some other agencies that I know.
7 This is a new facility and getting it up and going we thought
8 would enhance the facility that would generate more business
9 for the farmers if they could get this system set up.

10 SENATOR REYNOLDS: Is this time sensitive
11 in anyway, getting the equipment in and getting it ordered and
12 that sort of thing?

13 UNIDENTIFIED: We hope to have it within or
14 by next spring which is the growing season if we can.

15 SENATOR REYNOLDS: Does this mean you're
16 in the process now or trying to obtain funding for the
17 equipment from other sources?

18 UNIDENTIFIED: Yes, sir.

19 SENATOR REYNOLDS: Do you have any idea
20 when you'll know the results of those efforts?

21 UNIDENTIFIED: No, sir, I do not.

22 DELEGATE JOHNSON: Would it be
23 appropriate to table this until the next meeting?

24 MR. PFOHL: It's your call.

25 MR. NOYES: It's possible to table it. It

1 amounts to \$2,000 or something that this Committee can –

2 SENATOR REYNOLDS: Then I'll make that
3 motion. I know we haven't done it in the past but I'll make the
4 motion that we table this for the time being and see what
5 efforts can be undertaken.

6 DELEGATE JOHNSON: There's a motion and
7 a second, any further discussion? Maybe we'll know
8 something by the next meeting which hasn't been set yet, the
9 end of the first quarter of next year or before. All those in
10 favor let it be known by saying aye (ayes). Opposed. (No
11 response). All right. Next one, 2242 RJASECO requesting
12 \$143,719. Also 2260 has been pulled out of the block for
13 further discussion by Delegate Wright. The Committee has
14 voted to table 2263, that's the only change to the block. Are
15 you ready to vote on the block absent the one that Delegate
16 Wright has taken out?

17 SENATOR REYNOLDS: 2259, Grayson
18 Landcare and I noticed that there's some folks here that might
19 want to speak to that. They've requested \$200,000 and staff
20 has recommended \$50,000 for equipment.

21 DELEGATE JOHNSON: Anyone here to speak
22 on 2259?

23 UNIDENTIFIED: I'd like to call on Ms.
24 Mitchell, the manager to bring you up to date. I know in our
25 area we have grown as far as the number of producers starting

1 at zero up to 10 this year. We are making some money which
2 returns to our communities of course. We believe we have a
3 viable project here if we can just get over the hump so to
4 speak. As has been stated, we started out with 5 farmers to
5 sell meat products and this would help our surrounding areas
6 of course. I think the community –

7 SENATOR REYNOLDS: The staff has
8 recommended \$50,000 to the Blue Ridge Crossroads
9 Economic Development Authority for requested equipment
10 with ownership title to Tobacco Commission funded
11 equipment to be retained by BRCEDA and then they can lease
12 the assets to Grayson Natural Foods under the terms of a
13 performance agreement. Tell me your reaction to that? Does
14 it meet your needs? What is your reaction there?

15 UNIDENTIFIED: Certainly I'm aware of the
16 staff's recommendation and certainly we're trying to do what
17 we can to sell our beef products. Our most difficult task is
18 trying to get the business up and running and I know that
19 would benefit everyone and we're looking for a way to always
20 get this off the ground so to speak and obviously the bottom
21 line is trying to increase sales. This would certainly make a
22 big difference in all the communities. We believe the market is
23 there and if the market's there, local people will be benefiting
24 and they might invest money. The question about will
25 \$50,000 do it, I would say that certainly that would be very

1 much appreciated but we'd certainly like to get the amount
2 we've asked for because we can use it as you can imagine but
3 we do appreciate the \$50,000.

4 MR. NOYES: You mentioned the \$200,000
5 owed to the producers or owed to the owner of the company –

6 UNIDENTIFIED: Purchases from this year are
7 paid in full up front and the owner of the company shoulders
8 the burden of paying, though the company is back to its initial
9 owner.

10 DELEGATE JOHNSON: Any other persons like
11 to speak for or against this proposal? First of all I'd like to
12 comment the staff and our executive director and deputy
13 executive director for the outstanding job you do in reviewing
14 and analyzing and putting together these fact sheets and all
15 this information and coming up with your recommendations.
16 This is in great detail and I know you've done a lot of work, a
17 lot of hard work and I certainly feel like you do an excellent job
18 and I thank you very much for the hard work and the
19 commitment you've shown to doing all this. We're all trying to
20 spend this money very wisely. I just want to say I appreciate
21 that very much.

22 Now, I believe we have four that we have
23 removed from the block. Any other discussion or any other
24 projects that anyone wants to remove from the block?

25 SENATOR REYNOLDS: 2263 I believe was

1 tabled.

2 DELEGATE JOHNSON: If there's no further
3 discussion, is the motion that we recommend the amount as
4 shown in the block?

5 SENATOR REYNOLDS: So moved.

6 DELEGATE JOHNSON: It's been moved and
7 seconded. Any further discussion? All those in favor say aye.
8 (Ayes). Opposed no. (No response).

9 DELEGATE WRIGHT: Mr. Chairman, 2260, I
10 would ask the Committee to consider the cost share part of the
11 application and give them time to do that and I know there's
12 been problems in the past but they are trying to get this
13 catfish farm going. I'd ask the Committee or I'd make a
14 motion that we approve the cost share part of the application
15 in addition to what the staff recommended, that would be
16 approval of the \$60,000 and on the grant itself.

17 DELEGATE JOHNSON: You're making a
18 motion that the total be \$85,000, 60 plus what's been
19 approved, 25.

20 DELEGATE WRIGHT: Yes. I'll make that
21 motion.

22 DELEGATE JOHNSON: There's a motion and
23 a second, any further discussion?

24 UNIDENTIFIED: I'd just like to back up what
25 Delegate Wright is saying. I understand we've got some

1 management problems and I feel that with the backing of
2 VAFAIRS and Virginia Farm Bureau, we've got a lot of interest
3 with the right people to be able to manage this; this can be a
4 going concern. The cost share is a crucial point in this
5 venture and we need a few more people to get on board and we
6 can start moving. With the economy in Southside Virginia like
7 it is, a lot of farmers thought about doing this and not having
8 to put up a lot of money up front. I think with this, it can help
9 us get there and get more production. To me this would be a
10 great benefit to the economy in our area.

11 DELEGATE JOHNSON: We have a
12 responsibility to make sure that this money is spent wisely.

13 MR. NOYES: The Virginia Farm Bureau's
14 initiative and their participation could be sufficient to give us
15 comfort that's needed and entirely satisfied with Delegate
16 Wright's motion. I will say that we are not going to disburse
17 this \$85,000 until the pending issues are resolved and in
18 accordance with the Commission's guidelines. All that has to
19 get resolved before this money is disbursed.

20 DELEGATE JOHNSON: We have a motion and
21 a second, 2260, you've heard the motion, any further
22 discussion? All in favor let it be known by saying aye. (Ayes).
23 Opposed no. (No response).

24 SENATOR REYNOLDS: I'd make a motion that
25 we reconsider 2263, Town of Stuart.

1 DELEGATE JOHNSON: All those in favor let it
2 be known by saying aye. (Ayes). Opposed no. (No response).
3 All right, we're reconsidering that.

4 SENATOR REYNOLDS: I move we grant the
5 Town of Stuart \$2,000.

6 DELEGATE WRIGHT: Would you consider a
7 friendly amendment?

8 SENATOR REYNOLDS: That's fine with me.

9 DELEGATE WRIGHT: Can we say by a certain
10 date that we can be assured the funds are qualified by a
11 certain date?

12 SENATOR REYNOLDS: March 30th.

13 DELEGATE WRIGHT: That's the date?

14 SENATOR REYNOLDS: March 30th.

15 DELEGATE WRIGHT: The motion is for
16 \$2,000 subject to any other grant or being able to obtain any
17 other grant by the Town by the 30th of March.

18 SENATOR REYNOLDS: Yes. Thank you.

19 DELEGATE JOHNSON: Any other discussion
20 on this motion? We've got a motion and a second, all those in
21 favor let it be known by saying aye. (Ayes). Opposed no. (No
22 response).

23 MR. PFOHL: On page 14 of your staff report
24 the last page, its old business. Under old business
25 Cumberland County IDA repurposing use of funds in grant

1 number 1972, Cumberland County Regional Anaerobic
2 Digester Project FY10 Agribusiness. It's just repurposing the
3 grant you made last year by the Agribusiness Committee. This
4 was a grant awarded to Cumberland County IDA for land
5 acquisition adjacent to a privately owned regional landfill to
6 serve as a site for the Ag-Renewable Resources, LLC Anaerobic
7 Poultry Digester Project that is described in the proposal
8 summary 2253 on pages four and five of this report. The
9 landfill site is no longer under consideration and the county
10 now requests that this earlier grant be repurposed to assist in
11 constructing an access road to the county industrial park that
12 is now the project site. This was originally a \$200,000 grant.
13 A conditional use permit was granted by the County Board of
14 Supervisors for the project at the industrial park site. Staff is
15 supportive of this repurposing as requested and recommends
16 the Committee approve this request.

17 DELEGATE WRIGHT: I so move.

18 SENATOR REYNOLDS: Second.

19 DELEGATE JOHNSON: We have a motion and
20 a second to consider. Any further discussion? All those in
21 favor let it be known by saying aye. (Ayes). Opposed no. (No
22 response). We have next on our agenda our next meeting
23 date to be announced. Is there anyone in the audience that
24 would like to say anything?

25 MR. NOYES: Don't forget to sign your travel

1 vouchers.

2 DELEGATE JOHNSON: I just want to again
3 commend our staff for the outstanding work you've all done.
4 Thank you for that. If there's no further business, I'll
5 entertain a motion that we adjourn. It's been moved that we
6 adjourn and we are now adjourned at 12:05 p.m.

7

8 PROCEEDINGS CONCLUDED

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF THE COURT REPORTER

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 VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION, Agribusiness Committee Meeting when held on Tuesday, December 14, 2010, at 11:00 o'clock a.m. at the Hotel Roanoke, in 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 January, 2011.



Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large
MY COMMISSION EXPIRES: October 31, 2010
CERTIFICATE NUMBER: 224566