

VA AGRICULTURE & FORESTRY SECRETARIAT STRATEGIC FOCUS:

*“BUILDING DOMESTIC CAPACITY,
EXPORTING TO THE WORLD”*

VIRGINIA LOGGERS ASSOCIATION ANNUAL MEETING

VIRGINIA DEPUTY SECRETARY OF AGRICULTURE & FORESTRY

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STATEWIDE IMPACT OF FORESTRY & AG

- *Two of Commonwealth's Largest Private Industries*
- *Economic Impact: \$70b Revenue Annually*
 - ▣ *>\$52b from Agriculture; >\$17b from Forestry*
- *Provide >400k Jobs Via Production, Value-Added & Ripple Effect Industries*
- *More Than 10% of all VA Jobs; Every Industry Job Supports 1.5 Jobs Elsewhere*

ECONOMIC IMPACT OF FORESTRY IN VA

- *Almost 104k Total Jobs Via Production, Value-Added & Ripple Effect Industries*
 - *Production: 11,788*
 - *Processing Core: 48,755*
 - *Processing Extended: 33,725*
 - *Distribution: 9,579*
- *Supporting Diversified Portfolio of Industries, Products*

VIRGINIA FOREST FACTS

- *Almost 15.9m Acres of Timberland*
 - ▣ *Roughly 60% of Commonwealth's Total Landmass*
 - ▣ *More Than 80% Privately-Owned*
 - ▣ *Approximately 80% Hardwood, 20% Softwood*
- *24 State Forests: More than 68k Acres*
- *Most Recent Forest Inventory Analysis (FIA)*
 - ▣ *'11 Forward, Timber Growth Outpaces Removal (Volume)*
 - ▣ *From '01 – '10, VA Lost 16k Forestland Acres Per Annum*

MCAULIFFE MANDATE

- *“Do Everything Better Than You Did Before”*
- *“Break Every Record You Set Before”*
- *“This Is Just An Appetizer For What’s To Come”*
- *“Make Virginia The Most Pro-Agribusiness and Forestry Industry State In U.S.”*
- *“Make Virginia the East Coast Capital For Ag, Forestry Exports”*
- *“...You Can Sleep When You’re Dead”*

SECRETARIAT TOP PRIORITIES

- *Enhance Domestic Economic Development*
 - *Expand Existing Operations*
 - *Recruit New Businesses to Virginia*
 - *Build Domestic Capacity for New Exports*
- *Increase International Marketing & Exports*
 - *Expand Virginia's Global Footprint*
 - *Increase Exports to Key Growth Markets*
 - *New Exports Build Domestic Capacity*

DOMESTIC DEVELOPMENT: NEW CAPACITY

- *Governor's Agriculture & Forest Industries Development Fund (AFID)*
 - *Why? Ag, Forestry Were 'Falling Through Cracks'*
 - *Incentive Fund for Econ. Development, Planning*
 - *Use for Recruitment, Expansion of Businesses*
 - *Focus on Processing & Value-Added Projects*
 - *30% 'VA Grown' Mandate Key for Ag Growth*
 - *No Export Directive, But Connections Are There*

DOMESTIC DEVELOPMENT: NEW CAPACITY

- *AFID Development Grants Launched in Late '12*
 - *28 Projects To Date: 25 Agricultural, 3 Forestry*
 - *Private Investment: >\$317 million*
 - *Jobs Announced: 1,576 Across 23 Localities*
 - *Average Use of Virginia Grown Products: 75%*
 - *AFID Facility Investment to Date: >\$2.66m*
- *Current Economic Development 4 Mo. Pipeline*
 - *>\$500k Allocated at Present*
 - *8 Projects, ~\$27m CapEx, >108 Jobs*

AFID FACILITY GRANTS

Since Inception

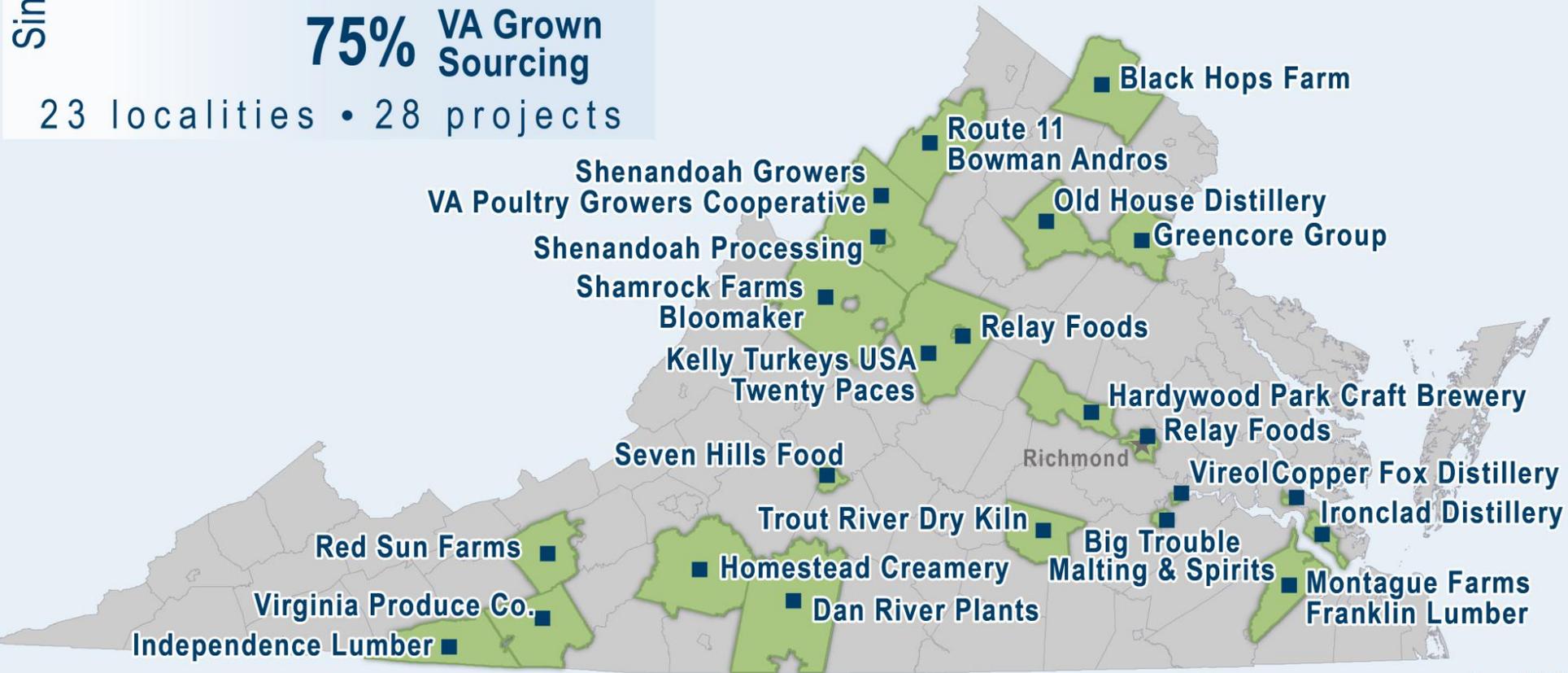
1,576 New Jobs

\$317,240,000 Capital Investment

\$2,661,700 AFID Grants

75% VA Grown Sourcing

23 localities • 28 projects



DOMESTIC DEVELOPMENT: NEW CAPACITY

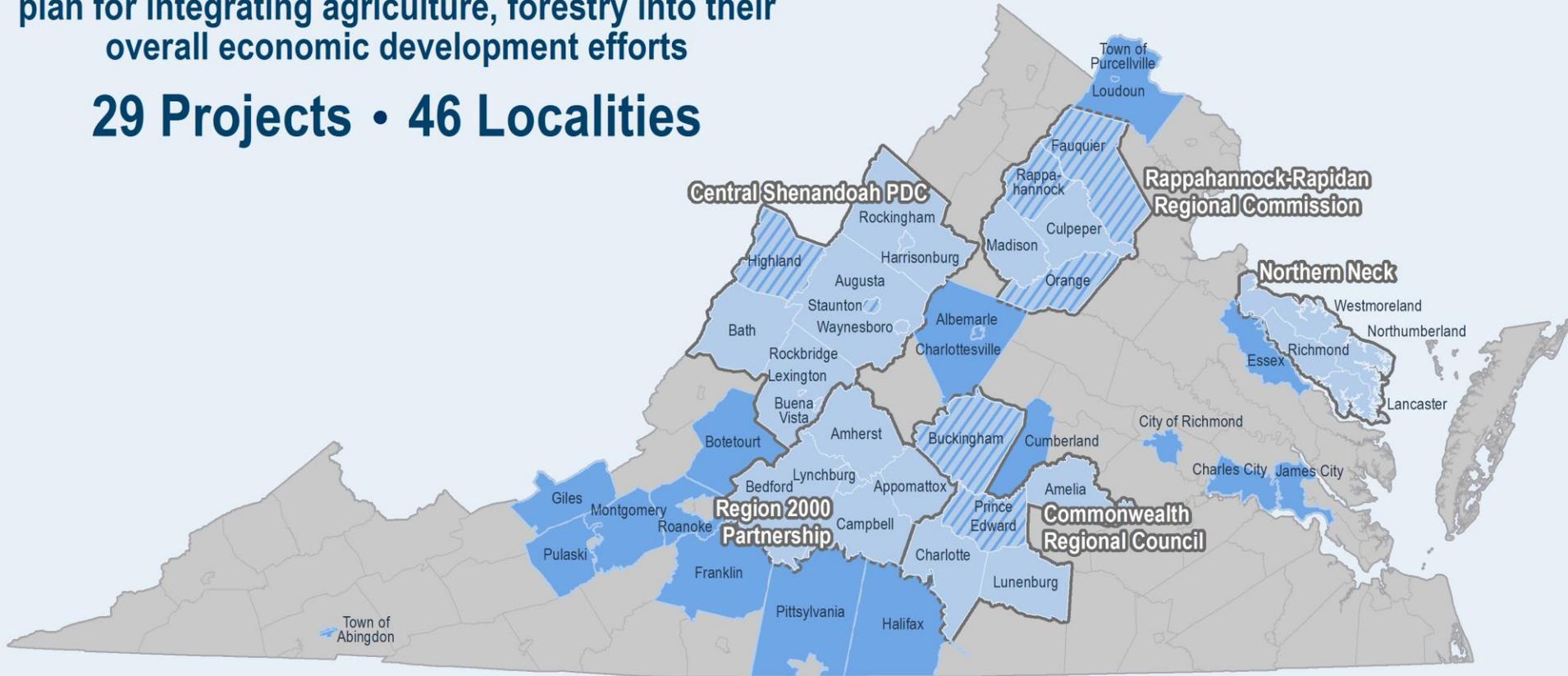
- *AFID Planning Grants Launched Spring '13*
 - *Assist Planning, Study, Local Initiative to Grow, Support Ag, Forestry-based Businesses*
 - *29 Projects Covering 46 Localities*
 - *AFID Planning Investment to Date: >\$590k*
- *Current Planning Grant 6 Mo. Pipeline*
 - *\$100k Allocated at Present*
 - *5 Projects, 10 Localities*

AFID PLANNING GRANTS

AFID Planning Grants

Designed to encourage localities to strategically plan for integrating agriculture, forestry into their overall economic development efforts

29 Projects • 46 Localities



Grant Recipient Type



IMPORTANCE OF FORESTRY, AG EXPORTS

- *Globalized Economy: Jobs, Opportunities Here*
- *USDA: Exports Now Generate Nearly 30% of Annual Farm, Forest Cash Receipts*
- *USDA: Every \$1.00 From Exports Returns ~\$1.30 To In-State Support Activities: Processing, Packaging, Financing, Shipping, Storing, etc.*
- *Export Related Jobs Pay $\geq 15\%$ Than Other Jobs*
- *>80% of World's Customers Outside of U.S.*

GROWING EXPORT MARKETS

- *Launch VA Forestry/Ag Export Initiative in 2010*
- *New State Funds for Trade Reps in Key Markets*
 - ▣ *>\$3m in International Marketing Since '10*
 - ▣ *New Marketing Offices in China, India, UK, Russia, Mexico, Costa Rica, Canada; Support Existing HK Post*
- *Gubernatorial, Secretariat Trade Missions, Alone or Coordinated w/VEDP*
- *VDACS Trade Missions/Hosted Reverse Missions*
 - ▣ *Fill Gaps Where Governor, Secretary Can't Visit*
 - ▣ *Reverse Missions: "Invaluable" For Producers, Exporters*

GROWING EXPORT MARKETS

- *More Than \$750m in VA Facilitated Export Deals Since Export Initiative Implemented in '10*
- *Growth in Top Forest Product Markets*
 - *China: >76%, Vietnam: 221% in 4 Years; UK: Wood Pellet Sales from \$0 To \$82.8m, Other Forest Products 49%; EU, Switzerland: >30%*
- *Battling Artificial International Trade Barriers*
 - *China: Hardwood Logs, Poultry**
 - *India: Lumber, Leaf Tobacco*
 - *EU: Wood Pellets – Keep As Approved Renewable Fuel for Heat, Energy Generation*
- *Creating Governor's Conference on Ag Trade*

GROWING EXPORT MARKETS

- *Gov. McAuliffe '14 SOTC Address: "Make VA the East Coast Capital for Ag, Forestry Exports"*
 - *'15 SOTC: Record \geq \$3 Billion Exports in 2014*
 - *\geq 49% Increase in Ag, Forestry Exports Value*
 - *From \$2.25b in 2010 to \$3.35b in 2014*
 - *Exports of Wood Products, Excluding Fuel, Increased 30% from \$250M in 2010 to \$326M in 2014*
 - *Wood Fuel Exports Jump from \$874,000 to \$114m (>12,900%) Same Period; 55% Growth From '13 to '14*
- *Facilitate New Export Opportunities*
 - *Expand Existing Markets; Target Growth Regions: SE Asia; Mediterranean/Middle East; Cuba*

VIRGINIA'S TOP A/F EXPORT MARKETS

- China, \$691m
- Canada, \$279m
- Switzerland, \$174m
- Mexico, \$150m
- Russia, \$123m
- Japan, \$114m
- United Kingdom, \$110m
- Venezuela, \$103m
- Morocco, \$98m
- Indonesia, \$93m
- Vietnam, \$88m
- Tunisia, \$84m
- Saudi Arabia, \$83m
- Taiwan, \$80m
- Dom. Rep., \$67m
- Turkey, \$57m
- Hong Kong, \$52m
- Netherlands, \$47m
- Thailand, \$46m
- Jamaica, \$45m

VIRGINIA'S TOP A/F EXPORTS

- Soybeans, \$794m
- Wood, \$326m
- Soy Meal, \$305m
- Pork, \$258m
- Leaf Tobacco, \$204m
- Poultry, \$195m
- Processed Food & Beverages, \$169m
- Soy Oil, \$150m
- Corn, \$146m
- Wheat, \$123m
- Animal Feed, \$118m
- Wood Fuel, \$114m
- Seafood, \$35m
- Raw Peanuts, \$30m
- Cotton, \$24m
- Animal Fats, \$22m

FUTURE TARGETED GROWTH REGIONS

□ Southeast Asia

- Vietnam, Indonesia, Malaysia, Philippines, Thailand
- Fast Growing, Reasonably Stable Markets
- \$305m in VA Ag, Forestry Exports in 2014
- Lumber, Logs, Peanuts, Containerized Soy, Other Feed Products Fueling Growth
- Decrease in Poultry, Tobacco Exports in 2014
- Up >15% Over Last Two Years; Region Led by Indonesia, Vietnam

TARGETED GROWTH COMMODITIES

- *Hardwood Logs/Lumber: Vietnam, Inland China*
- *Softwood Logs/Lumber: China, Vietnam, Thailand, Malaysia, Italy*
- *Wood Pellets: UK, Certain EU Countries*
- *Poultry: China, Vietnam, Middle East*
- *Leaf Tobacco: China, Japan, Other SE Asia*
- *Dairy, Peanuts: China, Vietnam, Other SE Asia*

BUILDING DOMESTIC CAPACITY

- *Reforestation of Timberlands (RT) Fund*
 - ▣ *Tax Receipts Not Fully Matched by VA Since Late '90s*
 - ▣ *VA Promoting Increased Wood Use, Exports: Need to Protect, Enhance Domestic Sources*
 - ▣ *Final Budget: Removed New Funds in '15, Partial Increase in '16 (\$791k FY15, \$1.1m FY16)*
- *Forest Sustainability Strategy*
 - ▣ *Assist Private Forest Landowners in Maximizing Land*
- *Forest Water Quality Program*
 - ▣ *Joint DOF, Logging Industry Effort to Adopt BMPs*

BUILDING DOMESTIC CAPACITY

- *Truck Weight Law*
 - ▣ *Allows Increased Forest Products Loads, Reduces Costs, Number of Trucks on Roads*
- *Forest Products Tax*
 - ▣ *Address Changes in Forest Products Industry, Reduce Burden on Loggers*
- *Logger Training & Recruitment*
 - ▣ *Since '96, VA Has Trained >3,600 Loggers Through Sustainable Forestry Initiative (SFI®)*
 - ▣ *SEVA Logging Capacity Task Force Established in '12 to Develop, Promote New Logging Workforce*

CONCLUSION

- *Infrastructure for Continued Growth, Successes In Place for Virginia Forestry, Agriculture Sectors:*
 - *Global Trade Office Network; Add New Regions?*
 - *World-Class Port System; Potentially Expanding?*
 - *Governor's AFID Fund Building Capacity*
 - *Commitment to New Production, Sustainability*
 - *Virginia "Best for Business" Rankings, Reputation*

CONCLUSION



Questions?

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