

SHENANDOAH VALLEY

# AGRICULTURE ENTERPRISE CENTER FEASIBILITY STUDY

*Executive Summary*



*Prepared for the Central Shenandoah Planning District Commission*

*by New Venture Advisors, May 2021*

This study was conducted by New Venture Advisors for the Central Shenandoah Planning District Commission.



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## Central Shenandoah Planning District Commission

The Central Shenandoah Planning District Commission (CSPDC) was formed to help communities and agencies within the Central Shenandoah Valley work together by providing high quality planning technical assistance and facilitation services that address local, regional and state needs in an innovative, timely and cooperative. The CSPDC is comprised of five counties, five cities, and eleven towns in the heart of the Shenandoah Valley in the western part of Virginia. A Board of representatives from each governmental subdivision oversees the activities of the Commission.  
<https://www.cspdc.org>



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## New Venture Advisors LLC

New Venture Advisors (NVA) is a consulting firm that specializes in food system planning and infrastructure development. Since 2009, NVA has helped more than 100 communities across North America identify strategies to develop food systems, food enterprises and food policies that are good for farmers, food entrepreneurs, consumers, and the intermediaries that connect them.  
<https://www.newventureadvisors.net>

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# Executive Summary

The Central Shenandoah Planning District Commission (CSPDC) identified an opportunity to perform a feasibility study to determine the viability of a certified, commercial, shared-use Agricultural Enterprise Center located in the Central Shenandoah Valley. In March 2020, the CSPDC issued a request for proposal (RFP) for a consultant to undertake a feasibility study. New Venture Advisors (NVA) was selected and began work on this project in July 2020.

**Goal and Vision:** The goal of the project is to support business diversification and growth in the Shenandoah Valley through value-added products and the delivery of agricultural goods and products to new markets, specifically supporting local food entrepreneurs and farmers. The vision of the Agricultural Enterprise Center is to bring a multi-use facility to the region that can help local growers and producers expand their market area, bridge the market gap, and pool together products to meet market demands.

**Project Objective:** The objective of this feasibility study is to determine an optimal operating model for this potential facility based on the needs of in-region stakeholders (i.e., farmers, food businesses, and buyers). The study was organized into the following phased approach:

Phase	Activities
Phase 1: Market Analysis	Interviews, Surveys, Landscape Analysis
Phase 2: Business Analysis	Operating Model, Capacity and Break-Even Models, Building Program, Site Exploration
Phase 3: Refinement	Operating Model and Building Program Updates, Financial Projections, Schematic Drawings, SWOT Analysis, Risk Assessment
Phase 4: Community Engagement	Formal Plan Reveal with Community Stakeholders
Phase 5: Finalization	Final Report, Executive Presentation

**Project Funding:** In 2020, the CSPDC was awarded a grant from the U.S. Department of Agriculture’s Local Food Promotion Program. Combined with a GO Virginia Enhanced Capacity Building grant, these funds were used to conduct a feasibility for an Agricultural Enterprise Center in the central Shenandoah Valley.

**Key Research Findings:** Key themes emerged during the market analysis. The Shenandoah Valley, uniquely centrally located for both regional and national distribution, presents an opportunity for small farm growth and to connect with existing infrastructure and services within the region. Surveys and interviews identified the need to meet the growing consumer demand for quality local product and convenience and the desire to create stronger networks and partnerships for scale. There is a general sentiment of pride of the rich agricultural history of the region, and the following needs were identified to bolster this industry:

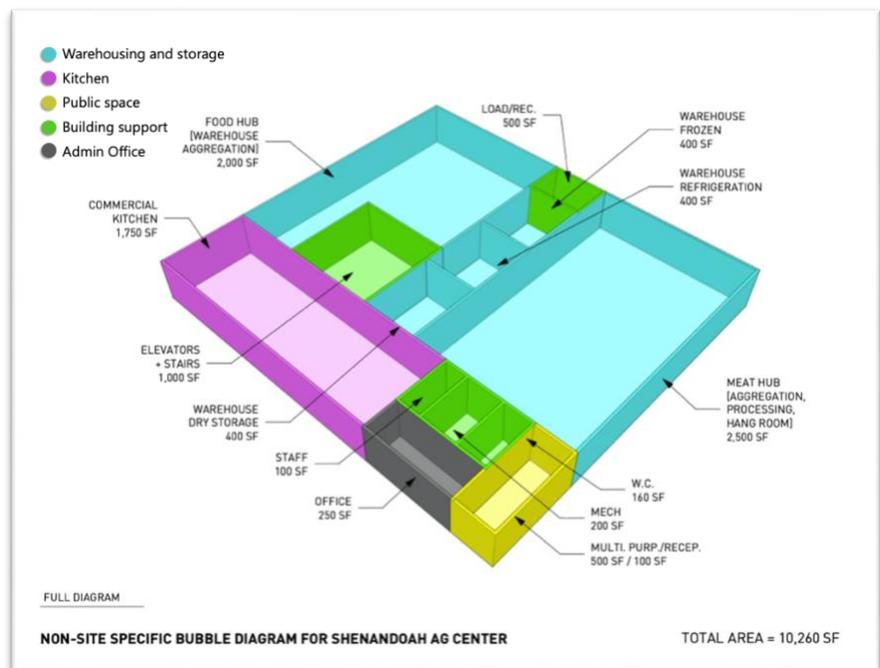
## Research Summary

- Small farmers will need to pivot and become wholesale ready in order to reach more markets/customers outside of direct-to-consumer sales.
- Significant interest in having a USDA-inspected shared-use commercial kitchen in the region, as farmers currently have to travel outside the region for access.
- Research found high interest in services that can take the onus off the farmer or business to do marketing, sales, distribution, and regulatory compliance.
- Farmers in the region are independent yet want access to shared resources.
- Virginia farmers are competing with ranchers in the West and commodity farmers in the Corn Belt, but the region doesn't have the acreage to compete with either: farmers have the opportunity to focus on high-value, specialty crops to differentiate from commodity agriculture.
- The region can grow a diversity of crops and specialty produce, top crops grown include: tomatoes, potatoes, squash, beans, sweet corn, cucumber, greens/lettuces, beans, berries, peaches, apples, and grapes.
- Local demand/buying power *within* the region is limited but is strong in nearby cities and within the state of Virginia, and there is growing demand for high-value hand-picked crops (i.e., asparagus, berries, tomatoes).
- A lack of meat slaughter and processing infrastructure in the region is a threat to family farm businesses.

**Recommended Operating Model:** The selected operating model, named The Shenandoah Specialty Meat and Produce Hub (the Hub), may be located in either Rockingham County or Augusta County, near one of the independent cities of Waynesboro, Staunton, or Harrisonburg, however, site selection is still in progress. The mission of the facility will be to *build resilience and sustain small, local farms and food businesses in the Shenandoah Valley.*

The Hub will have three core service areas: produce aggregation (food hub), meat processing and aggregation (meat hub), and a commercial kitchen.

- The Hub will be a single building with a dual focus on multi-species **meat aggregation and processing** and serving as a **produce hub and distribution center**. A **commercial kitchen** will support both functions.
- The Hub will provide branding, marketing, and sale of high-quality agricultural products through food hub aggregation and online sales to wholesale and retail buyers. Additionally, the facility will focus on the expansion and scale of meat production and distribution within the Central Shenandoah Valley region. Key aggregation, production, distribution, marketing, and warehousing services will be available to support all business stages.
- The Hub will have a special emphasis on supporting meat producers in the region by filling gaps in meat fabrication, processing, labor/training, and storage needs. This model supports the scale-up of the needed butchery workforce



and meat education across the region with in-house skills training programs for farmers on meat fabrication, slaughter, and specialty processing.

**Revenue Model:** Revenue from the hub will come from the following ways:

- Kitchen rentals - long-term tenants and short-term users who pay an hourly fee
- Service fees - contract manufacturing, meat processing, value-added services
- Facility usage fees - storage, meeting space
- Support programming and services offered by the core operators – food/meat hub online marketplace sales, business incubation

Revenue growth opportunities identified for years 1-5 include workforce development programming, a direct-to-consumer meat subscription business, an on-site BBQ-themed food truck, and food truck parking / facility access.

**Financial Analysis:** The pro forma profit and loss (P&L) shows a net loss of -\$353,000 in year 1 and positive income of \$52,000 by year 4. Gross profits from operations are \$1.0M in year 1 and \$1.8M in year 5. The financial model assumes 65 percent of the price received from buyers goes to the farmer and the Hub purchases beef at \$1,575 per head from the farmer. Commercial kitchen utilization is estimated at 38 percent in year 1 and 52 percent by year 5 – growing 10 percent per year. Food Hub utilization rate is estimated at 50 percent in year 1 and 70 percent by year 5. The majority of meat processing revenue will come from specialty meat cuts for retail sale and will be the highest driver of revenue. Earnings before interest, taxes, depreciation, and amortization (EBITDA) is negative only in year 1 and becomes positive in year 2.

<i>In \$1,000s</i>	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	2,069	2,357	2,679	2,986	3,277
Cost of Goods Sold	1,054	1,167	1,288	1,393	1,503
<b>Gross Profit</b>	<b>1,015</b>	<b>1,191</b>	<b>1,391</b>	<b>1,592</b>	<b>1,774</b>
Operating Expenses	1,116	1,183	1,222	1,261	1,302
<b>EBITDA</b>	<b>-101</b>	<b>8</b>	<b>169</b>	<b>331</b>	<b>472</b>
Interest, Depreciation, Taxes	252	252	252	279	325
<b>Net Profit</b>	<b>-353</b>	<b>-244</b>	<b>-82</b>	<b>52</b>	<b>148</b>

*Consolidated Five Year Projections for the 3 Enterprises*

**Conclusion:** This feasibility study confirms the potential to support small and mid-sized farms in the region looking to strengthen the local food and farm economy and reach new markets through a multi-use agricultural food hub and commercial kitchen facility. Food system infrastructure that is dedicated to small producers and their unique challenges is essential in bringing sustainable food system change to any community. The Shenandoah Valley is no exception; it has all of the pieces needed for a vibrant local food economy and the opportunity to unite them under one vision to support these growers and consumers.