

Industry Overview

Agricultural Snapshot



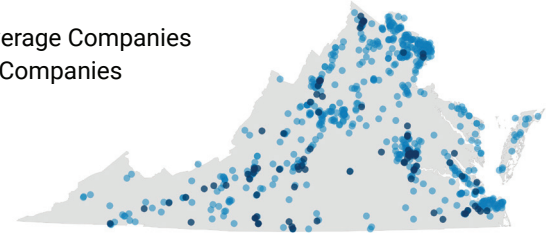
565 Herds

83,000 Dairy Cows

1.75B Pounds of Milk

Virginia is home to a thriving existing food and beverage industry. Food and beverage processing is the **2nd largest manufacturing industry** and dairy is the **4th top farm commodity in Virginia**.

- Food & Beverage Companies
- Packaging Companies



Source: VEC Q4 2018

Economic Impact



38,000 Food & Beverage Workers

7,975 Dairy Workers

\$334MM Milk Sales

Competitive Milk Prices

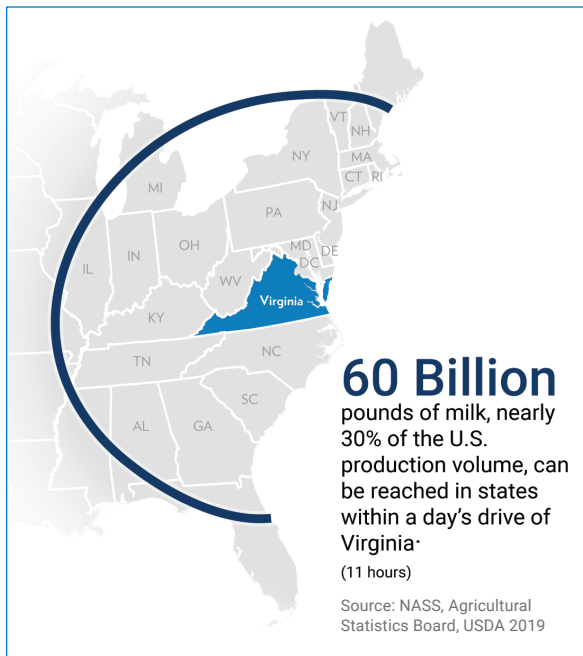
Price per cwt – March 2019

	Class I	Class II
Western New York	\$20.22	\$17.11
Pennsylvania	\$20.14	\$16.51
Virginia	\$20.04	\$16.61

Source: Western NY Milk Marketing Area, PA Milk Marketing Board, VA State Milk Commission

Location Advantages

Virginia is one of the best states for dairy in the Southeastern U.S., where critical markets can be reached within a day's drive.



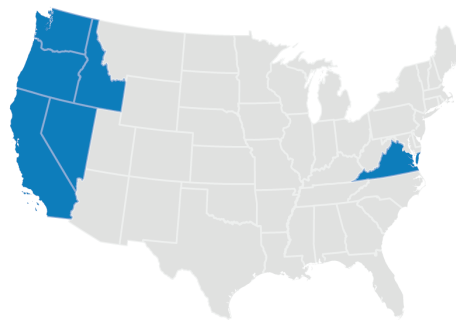
#1

Number of licensed dairy herds in the Southeastern U.S.

#3

Milk production in the Southeastern U.S.

Virginia is the only state east of the Rockies to raise quality standards for **Grade "A" milk to 500,000 somatic cells/mL**, ensuring longer shelf life, greater distribution range, and increased cheese yields.



In 2018, Virginia Grade "A" dairies averaged a somatic cell count <250,000.

Source: VDACS, 2018

Virginia's Dairy Industry

Workforce

In key food and beverage manufacturing occupations, Virginia offers lower wages than the national average, providing cost savings to companies.

	Virginia	U.S.
Food Scientists & Technologists	\$65,210	\$65,300
Agriculture & Food Science Techs	\$37,030	\$40,860
Industrial Machinery Mechanics	\$50,990	\$52,340
Packaging & Filling Machine Operators & Tenders	\$28,730	\$30,160

Source: OES, 2018

Virginia Tech's Dairy Science program is one of the top producers of dairy science talent in the U.S.

#1

Master's degrees
awarded in dairy science

#3

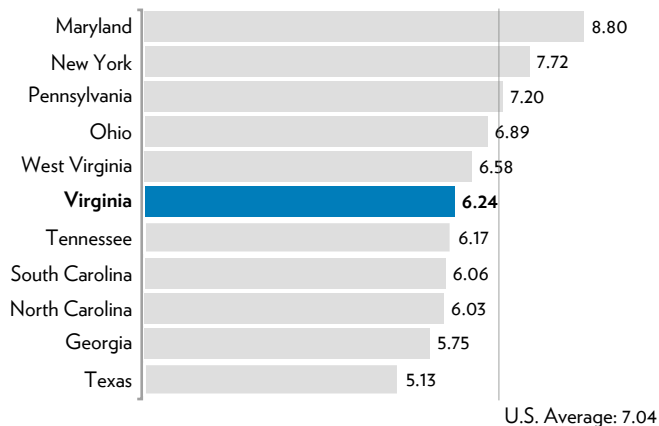
Bachelor's degrees
awarded in dairy science



Utilities

Virginia offers competitive electric rates compared to other prominent food and beverage states.

Average Industrial Electric Rate, 2018 (cents per kWh)



Source: Edison Electric Institute, Summer 2018



Virginia is a water-rich state with ample water supply and wastewater treatment capacity.

Some of the industry's most prominent milk processors call Virginia home.



Virginia Economic Development Partnership (VEDP)

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Executive Summary

VIRGINIA KEY GROWTH AREAS

1. Serve corporate retailers
2. Promote niche-market activities
3. Focus on value-added dairy products

Dairy Industry Highlights

The dairy industry in Virginia is able to support a new regional-scale, value-added dairy processing facility. The strongest potential for a new facility is in value-added, further-processed dairy products.



Dairy production has increased, while demand for fluid milk has decreased.

56% increase in per capita sales of value-added dairy products

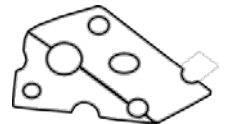


Sales and consumption of value-added dairy products are on the rise.

Milk is often transported long distances to process milk, adding large operating cost to many small- to mid-sized farms



Dramatic growth in sales and consumption for cheese, butter, and yogurt



New dairy processing plants reduce costs across supply chain, especially transportation costs.

Demand for dairy processing is expected to increase; **27 billion lbs** of milk processing capacity will be needed over next 10 years

Source: Ben Laine, CoBank, Aug. 2017

Value-Added Products

Per capita cheese consumption doubled over the past decade

Hispanic cheese sales are growing rapidly, representing an ideal opportunity in the industry.

The price of value-added products is more stable than the price of fluid milk.

The commodity price of milk is extremely volatile, experiencing major shifts weekly.

Further differentiating products increases access to markets.

Products such as UHT milk have high export potential.

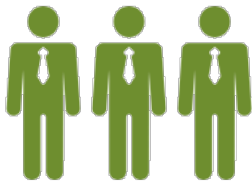
Virginia's Attributes

Virginia Dairy

\$308.3 million
in milk cash receipts
to farmers

1.7 billion lbs
of farm milk
production in 2016

Virginia is historically strong in agriculture and industrial manufacturing. The dairy industry in Virginia is well-poised to be a good site for new regional-scale, value-added dairy processing facility. Close proximity to markets, access to abundant milk, and abundant water resources are some of the factors adding to the viability of a potential dairy processor in Virginia.



Skilled and accessible labor pool

Right-to-Work state

Lower cost of living in areas compared to top dairy producing states



Multiple incentives and tax breaks

Less cumbersome regulations

Adequate supply of milk



Abundant water access through multiple watersheds

Ranks higher in freshwater resources than most top dairy states



Access to growing population centers

Well-suited to reach export markets



Extensive transportation network

Multiple locations with existing infrastructure