

2008 Innovations Awards Program APPLICATION

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ID # (assigned by CSG): 08-E-25PA

Please provide the following information, adding space as necessary:

State: Pennsylvania

Assign Program Category (applicant): Infrastructure and Economic Development – Economic Development (Use list at end of application)

1. Program Name

PAGrows

2. Administering Agency

Pennsylvania Department of Agriculture

3. Contact Person (Name and Title) –

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4. Address

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8. Web site Address

www.PAgrows.com

9. Please provide a two-sentence description of the program.

PAgrows provides technical assistance to farmers, farm markets, food and fiber processors and agribusinesses by helping them locate the capital they need to begin, continue and expand their operation. PAgrows provides assistance from one-on-one, on-site consultations to conferences designed for hundreds of interested participants for the agriculture community and the economic developers that serve them.

10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 1, 2008 to be considered.

January 2005 – 3 years

11. Why was the program created? What problem[s] or issue[s] was it designed to address?

PAgrows identifies the economic needs of the agricultural community. Needs such as access to capital for technology transfer, access to low interest capital, opportunities for agribusinesses to diversify and expand their operations, sources of capital for the next generation of farmers to not only purchase the farm, but remain economically viable, and addressing the issues of competing interests for land development and its effects on affordable land for agriculture.

PAgrows understands the disconnect between the language of agriculture and economic development. It provides the link between the language of agriculture and the language of economic development. The result is increased access to economic development programs not typically designed with agriculture in mind as well as increased awareness of the role of agriculture in Pennsylvania's economy. A role Governor Rendell had identified in the creation of First Industries Fund, the single most active program PAgrows looks to for financing.

In 2004, Governor Edward G. Rendell implemented a wide reaching economic stimulus package that consisted of 19 programs aimed at revitalizing jobs, bolstering business growth, and sustaining our communities. Included in this package of programs was the First Industries Fund, specifically designed for Pennsylvania's top two industries of agriculture and tourism. The First Industries Fund, along with a number of the other 19 programs was enacted into law under PA Senate Bill 1026, session of 2004.

Specific to agriculture, the First Industries Fund created a \$100 million, bond financed, revolving loan fund. This revolving loan fund is administered by the Department of Community and Economic Development (DCED) under the direction of the Commonwealth Financing Authority.

In collaboration with DCED, PAgrows was created to address the issue of delivering this new program to the agricultural community. PAgrows was designed to provide the assistance needed for farmers, farm markets, food and fiber processors and agribusinesses to access not

only this newly formed First Industries Fund program, but also existing state and federal programs that were eligible to agriculture, but had been historically underutilized.

This was recognition that the Pennsylvania Department of Agriculture (PDA) had the needed community access, agricultural, and economic expertise to deliver technical economic development assistance while working in concert with the expertise of DCED to administer the loans and grants that would result from the program. This collaboration has resulted in growing the First Industries Fund by lending PAgrows ear to the agricultural community to the economic development community that exists at DCED.

While the creation of the First Industries Fund was one of the main driving factors behind the creation of PAgrows, it was the underlying access to capital issues identified earlier that gave form to the program. From its beginning, PAgrows has continued to grow existing economic development programs, strive for the creation of new programs, increase awareness and access for the agriculture community, provide information to make better business decisions, and deliver direct technical assistance to the farmers, farm markets, food and fiber processors and agribusinesses who need the assistance of PAgrows.

In order to better understand the issues PAgrows was designed to address, it seems appropriate to take a look at a sample of what PAgrows has been able to accomplish over the past 3 years.

In April 2005, Knowlstead Farm in Potter County was awarded the first agricultural Small Business First Fund loan financed by the First Industries Fund. The \$92,000 loan package was developed by the North Central Planning and Development Commission and leveraged matching funds from North West Savings Bank. First Industries funds were used to help this dairy operation expand by buying more land and a building. The loan received a 1% reduction in interest rate because the farm is in an Agricultural Security Area, furthering the Commonwealth's farmland preservation goals.

In May 2005, Donald and Christine McCarty were awarded a Small Business First Fund loan of \$103,000 to help them buy land in Dauphin County for the purpose of starting a certified organic vegetable and poultry farm. This farm will market its products as a Community Supported Agriculture (CSA) operation, meaning area consumers will buy "shares" of vegetables and meat in advance of production. This gave the McCartys funds for producing commodities, and guarantees their customers a steady supply of fresh local foods in season. The Small Business First Fund loan was developed by the Capital Region Economic Development Corporation, and leveraged \$295,000 of the McCarty's personal equity.

In December 2006, the Commonwealth Financing Authority (CFA) guaranteed half (\$850,000) of two loans totaling \$1.7 million from Community Bank to Clark's Feed Mills Inc. The loans include a \$1.2 million working line of credit, as well as a \$500,000 revolving line for the purchase of equipment. The funds will be used by the poultry production mill to lower the company's debt, allowing it to increase profitability and consider expansion. The project will retain 32 jobs at the site in Ralpho Township. (Northumberland County)

In January 2007, the Harrisburg Regional Chamber and Capital Region Economic Development Corp. have provided financing to help Marlin E. Wiest Jr. purchase 67 ¼ acres near Lykens to continue his farming operation. The land was sold by a retiring farmer. Wiest who has been farming since childhood with his father, began his own operation harvesting

corn, wheat, soybeans, barley and oats. He expanded his farm to include beef cattle several years ago. CREDC provided a Small Business First loan of \$163,540 through the First Industries program in conjunction with financing from Gratz National Bank and other sources. (Dauphin County) Article published in *The Patriot News*, January 18, 2007

Four awards were presented at Pennsylvania's Ag Progress Days in August 2007. Those awards generated initial and follow-up press for the award recipients. Below is information on how PAgrows, and the Bureau of Markets' economic team along with the First Industries Fund have affected three of these awardees.

The Entrepreneur Award winner was a frozen drink company called Orchard Freeze. President Lynn Fahnstock has developed a delicious new frozen drink made from 100% fruit. A four ounce portion of Orchard Freeze counts as one serving of fruit towards the USDA dietary guidelines. A member of PA Preferred® Orchard Freeze has a great new taste and has been a hit at all of their events. Through partnerships with PAgrows and PA Preferred, Orchard Freeze has expanded their number of locations. Most recently working with their PDA partners, Orchard Freeze was able to get located in the main food court during the Pennsylvania Farm Show. The PA Farm Show sees well over 100,000 visitors each year. Governor Rendell was treated to their Orange Orange flavor during his annual visit of the Farm Show. As a gesture of thanks for the support they have been receiving, Orchard Freeze donated all proceeds during the week of Farm Show to the state Future Farmers of America (FFA) chapter. If you are looking for a chance to try their product outside of Farm Show, you can find them at Sight and Sound as well as Cherry-Crest Farm, both located in Lancaster County.

The New Generation Award winners are Don and Dana Good. The Good's worked on Dana's father's farm and took management roles two years ago. Looking to purchase the farm, Don and Dana, with the help of PAgrows, used a combination of conventional financing, First Industries Fund, Farm Service Agency, and personal funding to purchase over 130 acres from Dana's father. They are a dairy operation and crop for feed.

Randy and Jamie Loch owners and operators of Loch's Maple Fiber Mill of Susquehanna County (Springville Township) were awarded the PAgrows' and Center for Farm Transitions' Value-added Excellence Award. The company offers quality, custom fiber processing to the developing Alpaca industry in the Commonwealth, as well as to the wool, llama, mohair and angora industries. The Loch's received a First Industries Fund – Machinery and Equipment Loan Fund (FIF – MELF) loan in the amount of \$61,365 to purchase their hand crafted fiber mill. Secretary Wolff has been invited and will be attending the Loch's open farm event on March 15th. Loch's Fiber mill is so successful, they currently have enough fiber coming to the mill to keep them busy for the next 12 months.

To show PAgrows commitment to clients throughout their development process, in April 2005, the Cove Area Digester Project received a \$99,500 planning grant through the First Industries Fund for the preparation of a business plan. This agricultural community is home to over 25,000 head of dairy animals and is located in the middle of the Clover Creek Watershed. The facility, in Martinsburg, proposes to treat, process and dewater manure that will come from the regional digester to produce a viable beneficial use product that could be purchased for bedding and potting soil. This digester is imperative to the agricultural future of the Cove because many farms have no outlet to dispose of manure.

Just recently, PAgrows along with partners at the U.S. Department of Agriculture met again with the folks involved with the Cove Area Digester Project to move the planning that was started in 2005 into the brick and mortar stage. PAgrows has been able to provide assistance to this project for nearly a four year period and it is hoped that PAgrows will continue to be able to provide support as the Cove Project seeks the capital they need to see everything through to completion.

12. Describe the specific activities and operations of the program in chronological order.

April 2004 – Senate Bill 1026 signed into law by Governor Edward G. Rendell

December 2004 – First Industries Fund Guidelines adopted

January 2005 – PAgrows launched at the Pennsylvania Farm Show

The ribbon cutting ceremony included the Secretaries of Agriculture and the Department of Community and Economic Development signifying the great collaborative work to follow.

PAgrows begins its marketing campaign by developing brochures and delivering informational workshops on the new First Industries Fund as well as existing programs such as the Next Generation Farmer Loan Program and Farm Service Agency loan opportunities.

A toll free number 1-888-PAgrows (1-888-724-7697) is established for farmers and agribusiness to call for assistance through the new program. Calls to the number are often referred to corresponding local economic development agencies for further processing.

April 2005 – CFA considers the first round of First Industries Fund applications

May 2005 – PAgrows sets up an online database

The online database was designed to help manage the volume of calls and inquiries to the PAgrows program. This allowed for more timely and better informed follow-up to individual producers and agribusinesses as well as tracking for loans and grants in process

October 2005 – First Industries Fund completes more projects in 6 months than the 2 years prior.

Since the first loan was approved in April 2005, the number of Small Business First and Machinery and Equipment Loan Fund loans exceeds those done in the 2 years before the program started.

November 2005 – First full-time employee hired whose sole role is the PAgrows program.

The PAgrows program which had originally been administered from the Deputy Secretary's office is moved to the Bureau of Market Development within PDA.

January 2006 – Second full-time employee hired for PAgrows program

New marketing materials are developed. Handouts and a folders (10,000) containing information on 8 separate programs are now available and widely distributed.

March 2006 – Next Generation Farmer Loan program put under the supervision of PAgrows

In 2005, no loans were completed under the Next Generation Farmer Loan Program. By the end of 2006, 5 loans totaling \$1,225,000 will be completed.

May 2006 - PAgrows toll-free number reaches 1000th caller

June 2006 – 100th loan completed under First Industries Fund, Additional \$1 million proved for the Next Generation Farmer Loan program due to ongoing success

March 2007 - First Industries Fund approves 200th loan

April 2007 – PAgrows toll-free number reaches 2000th caller

June 2007 – New mailers providing information on PAgrows as well as other economic development program with PDA are designed and printed

This marks the end of the original run of 10,000 folder handouts. Three new brochures are developed with updated information and programs with runs of 20,000. This also marks the first time multiple economic programs with PDA are marketed from one brochure.

August 2007 – PAgrows database reaches 1000th client

November 2007 – Next Generation Farmer Loan Program approved for \$6 million in 2008

Given the increased success of the program, 10 loans totaling \$2,500,000 are completed by the end of 2007, DCED agrees to fund the program in 2008 for the most it has received since the program was first launched in 1998

December 2007 – First Industries Fund approves 300th loan

January 2008 – PAgrows toll-free number reaches 3000th caller

13. Why is the program a new and creative approach or method?

PAgrows combines the expertise and efforts of two state government agencies (PDA and Dept. of Community and Economic Development) in an efficient and effective manner to provide important and necessary information, education and economic development services.

PAgrows combines the tradition of the hay bale meeting with modern access to economic development tools traditionally not put to use in the agricultural community. This provides a coupling of local support with state and federal level agencies, providing a unique model of service delivery.

PAgrows provides a coordinated effort to direct capitalization support, business development and technical assistance to the wider agricultural community as well as to the individual producer or processor.

For the agriculture community, PAgrows translates the language of economic development. For the economic development community, PAgrows translates back the language of agriculture. The resultant dialogue helps to assure the continued recognition of agriculture's contribution to Pennsylvania's economy while providing opportunities for future growth.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

Total startup costs were \$95,000 for hiring staff and public promotional material, of which 90% was for staffing

15. What are the program's annual operational costs?

Annual operational costs are \$60,000

16. How is the program funded?

Public dollars made available to the Pennsylvania Department of Agriculture through the Commonwealth's annual budget, supplemented with grant dollars when and where possible.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

No, this is a Department of Agriculture initiative

18. What equipment, technology and software are used to operate and administer this program?

- a. Two laptops
- b. Projector for presentations
- c. Intuit – Quicken database (online) to coordinate customer service in the office and while traveling.
- d. Microsoft suite of applications
- e. Loan calculators
- f. As needed use of Commonwealth vehicles
- g. Toll free telephone line

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

Yes, the concept and implementaion for this program was developed by Cheryl Cook, Deputy Secretary at PDA. However this program required programs like the First Industries Fund developed by Governor Rendell as well as the support that the Governor and Secretary of Agriculture Dennis C Wolff have provided to keep the program thriving

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20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

No

21. Has the program been fully implemented? If NO, what actions remain to be taken?

No, this program continues to evolve to meet the changing needs of the agriculture community and the economy.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

Pro - Access to loan programs at DCED, specifically Small Business First (SBF) and the Machinery and Equipment Loan Fund (MELF)

Two years prior to PAGrows

1. 38 Projects
 - a. \$5,927,209 – state funding
 - b. \$15,104,056 – private match

Two years following inception of PAGrows

2. 225 Projects
 - a. \$56,157,670 – state funding
 - b. \$147,228,246 – private match

Pro - Access to Next Generation Farmer Loan Program

Since inception of PAGrows increased application rates have resulted in additional funding being made available for the program. The increase since the inception of PAGrows has been an additional \$4 million per year available to the Next Generation Program.

Pro - Increased geographic and agricultural business type access to the program

Prior to PAGrows, most agriculture loans were being done in the Southeastern part of Pennsylvania and mostly for dairy. To date, projects have been completed in nearly every county of Pennsylvania and have encompassed agricultural projects from Alpaca to Zucchini

Pro - Multiplier effect by finding the confluences of programs such as PDA's Center for Farm Transition, Center for Dairy Excellence, Risk Management and PA Farm Link and their enhancing effect when the combined efforts of the programs are focused on the produces and processors in Pennsylvania

This has been demonstrated in joint informational conferences, combined booth space at events to concentrate information and expertise as well as bringing multiple programs to provide many-on-one consultations bringing to bear the expertise of several programs at once.

Con - Limitations of staff complement have show choke points in the program as it has evolved and become more popular. PAgrows has worked to develop partnerships as described above to increase its reach through outside organizations however the expertise to tie these programs together resides in PAgrows.

Con – PAgrows toll-free number is primarily limited to in-state callers. Some out of state callers looking to move to Pennsylvania have expressed frustration when not being able to call in on our toll free number.

23. How has the program grown and/or changed since its inception?

Since the inception of PAgrows, agricultural projects have been completed in areas of the state where the have never been. PAgrows has grown from its role of providing technical assistance through referral to providing technical assistance through consultation as well as referral. As the employees working on the PAgrows program have grown and experienced over the years, so has the richness of what is being offered to new clients.

PAgrows has also fostered the team identity of many programs within PDA by finding the confluences of programs such as PDA's Center for Farm Transition, Center for Dairy Excellence, Risk Management and PA Farm Link and their enhancing effect when the combined efforts of the programs are focused on the produces and processors in Pennsylvania.

Through word of mouth, publications and most importantly continued success stories of producers and agribusinesses, PAgrows has grown in statewide and nationwide recognition. States as far away as California have called inquiring to the PAgrows model. Attendance of PAgrows staff at the National Ag Bankers Conference and the National Council of State Ag Lending Programs has worked to not only gather information for PAgrows but also showcase its prominence among other state programs.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

Access to dedicated funding for loan/grant programs such as the First Industries Fund and the interagency support for agricultural economic development is the key to the success of the PAgrows program. The evident top down support, from the Governor's office in implementing the funding programs for agriculture to access and support for the efforts of PAgrows through to the support of other state and local agencies as well as outside partners is something that would be required to reach the level of success of PAgrows.