Economic Impact

The new livestock center is already benefiting livestock producers and others throughout WNC, as shown below:

Job Creation: Through its contracted operator, Southeast Livestock Exchange, the WNC Regional Livestock Center is supporting five new full-time jobs and 13-18 part-time jobs, with a total payroll of around $200,000 per year. These numbers will likely grow as livestock operators re-build their herds, which in turn will lead to greater volumes of livestock bought and sold at the new facility. It's especially noteworthy that these jobs now exist at the site of a former landfill, a place that previously had no buildings and no jobs.

Based on previous surveys and more recent discussions with local livestock producers, we anticipate that the new facility and subsequent rebuilding of various herds will add 20,000 head of cattle to the region in the next five years, resulting in 500 new part-time, on-the-farm jobs throughout WNC. We estimate these jobs to average 0.25 FTE (full-time equivalent) each, for a total of 125 new FTEs at the farm level within five years.

Related Economic Impacts: We estimate that livestock sales at the new facility will total $8.64 million per year (300 head/sale x 600 lbs./head x $1/lb. x 48 sales/year), not including video sales.

We estimate that these sales will generate $650,000 in economic benefits for area livestock producers each year, based on the following formula: $45/head x 300 head/sale x 48 sales/year = $650,000/yr. The $45/head impact is due to shorter driving distances to reach a market and related fuel savings of $2.50 per head; reduced shrinkage (weight reduction) of transported cattle due to shorter driving times, leading to $6.00 more per head sold; lower facility transaction fees charged by the operator (compared to facilities outside the region) equaling $2.50 per head; and improved sales prices resulting from a larger, modern facility and related quality-assurance programs that will attract more buyers and higher bids, thus increasing average bids by $34.00 per head.

Not all of that $650,000 each year will stay in farmers' pockets. We expect that these farmers will utilize their cost savings and higher income to buy new supplies, equipment, and more. Using an economic output multiplier of 1.5 for agriculture-based activities, we anticipate a total regional economic impact of $975,000 per year.

Through that economic multiplier effect, we anticipate a positive financial impact on many different local businesses, including the food vendor at the new livestock center; local gas stations who will refuel livestock operators' trucks; lending institutions like Carolina Farm Credit, who will help livestock operators expand their operations; co-ops, farm equipment companies, truck dealers, and others who will sell supplies, equipment, tractors, trucks, and more to these growing livestock operations; and possible new ventures, such as slaughtering and value-added product sales and distribution. By keeping livestock farming strong and growing, we will also positively impact open space, scenic views, and other community values associated with farmland.

Another positive impact of the new WNC Regional Livestock Center can be found in $1 million in grants from the NC Rural Center, the Appalachian Regional Commission, and Golden LEAF to help install new sewer lines to serve not only the new livestock center, but also a new urgent care facility and two other businesses in the Canton area. This sewer project will result in another 50 new jobs (not including the livestock center jobs). WNC Communities helped push for these grants in order to support both the livestock center and these other businesses, as well as others that may start or expand once the new line is in place.

Facility Sustainability & Potential Enhancements: WNC Communities expects the new facility to be self-sustaining. Our projections indicate a break-even point when handling only 20,000 to 25,000 head of livestock per year, though at least 40,000 head per year were being sold outside the area before the new facility began operations. Therefore, we fully expect the livestock center to earn enough to be self-sustaining for the long-run, including income to cover long-term costs for repair and replacement of the building, equipment, and furnishings.

While the fundraising for the primary facility is complete, WNC Communities may seek additional grant funds and other donations in order to support training programs and additional innovations, such as composting operations and solar and wind power. As much as possible, these efforts will make the facility more sustainable, reduce operating costs, and take advantage of the facility's tremendous potential as a highly visible demonstration site for family farmers and others throughout Western North Carolina.

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L. T. Ward
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WNC Regional *Livestock* Center LLC

A Project Facilitated and Constructed by WNC Communities

A report celebrating
WNC Communities latest
project for family farmers.

Executive Summary

With the support of area livestock producers, non-profit organizations, government agencies, local businesses, and other partners, WNC Communities met its goal of successfully planning, designing, building, equipping, and beginning operation of the WNC Regional Livestock Center near Canton in Haywood County.

The project started with the region's livestock producers, who wanted to address chronic problems in establishing a reliable sales and auction facility to serve the region's 3,000+ livestock producers. The next step involved a feasibility study to assess whether a regional livestock center could be operated in a financially sustainable manner. With positive conclusions in hand, the project partners set out to select a location, develop site and facility designs, and raise more than $3 million – with another $750,000+ provided through in-kind support. Site work, construction, and permitting followed. While cold, snow, and other challenges led to several delays, the new facility began operations on March 21, 2011.

In its first five months of operations (March-August 2011), the WNC Regional Livestock Center has already hosted sales through the auction arena of more than 6.300 animals for 1,300 different buyers and sellers, with total gross sales of more than $4.7 million, with another 11,400 (adjusted) head of cattle sold for over $10 million through the facility's video sales component. These early results provide positive signs that the facility is meeting its original goals of addressing the sales and auction needs of WNC's livestock producers, putting more money into the pockets of family farmers, helping them to stay in business, and encouraging them to rebuild their herds.

Positive economic impacts of the WNC Regional Livestock Center include hiring five new full-time positions and approximately 13 to 18 part-time positions through the facility operator – all at a closed landfill site; creating the potential for 500 new part-time jobs at the farm level within five years to support larger livestock herds; training facilities and programs to improve herd health, quality, and sales revenue; enabling projected livestock sales of more than $8.6 million per year (not including video sales); and putting another $650,000 per year into the pockets of family farmers by reducing transportation costs and facility fees, while also increasing the sales prices for each head of livestock.

The high levels of sales at the new facility and the satisfaction of the local livestock producers provide some of the best indications of the success of the project. As further proof, the WNC Regional Livestock Center was recently selected for a 2011 Innovation Award by the National Association of Development Organizations. The award will be presented at NADO's Annual Training Conference in October 2011 in Miami, Florida. All the project partners can take credit for this award, because partnership was one of the key innovations listed in the award nomination.

WNC Communities thanks all the family farmers and other partners for making this project not only possible, but highly successful. With this new, state-of-the-art livestock facility and related educational and meeting facilities, we look forward to serving area livestock producers and other rural people and groups for many years to come.

2011

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Leadership Donors

North Carolina Tobacco Trust Fund Commission

Golden LEAF Foundation

The Rural Center

ARC Appalachian Regional Commission

North Carolina ADFP Trust Fund

WNC Regional Livestock Center is a product of the livestock producers of Western North Carolina and facilitated by the Board of Directors of

WNC Communities

CASH SUPPORT

NC Tobacco Trust Fund	1,375,000
Golden LEAF Foundation	600,000
NC Rural Center	400,000
Appalachian Regional Commission	350,000
NC Agriculture Development & Farmland Pres. Trust Fund	124,000
USDA-NRCS Conservation Innovation Grant	62,342
Local Funds	202,182
TOTAL	**$3,113,524**

The total above does not reflect in-kind support and discounts greater than $750,000.

Partnerships

A project of this magnitude succeeds only through tremendous partnerships. WNC Communities was fortunate to team up with numerous partners at the local, regional, state, and national levels. As noted throughout this report, these partners include livestock operators, a wide variety of financial contributors, and many others. They provided ideas, advice, and more than $3 million to make this project a success.

Our partners also helped WNC Communities accomplish even more than we could with cash contributions alone. These positive outcomes resulted from creative thinking to adapt to what was available, as well as more than $750,000 of in-kind support through donated or discounted services and materials and other indirect support. While many of these in-kind donors are listed at the end of this report, we want to highlight a few of the contributors here:

International Paper (IP): IP owns the site of the new facility and is leasing the land to WNC Communities for 99 years. IP also helped pay for approximately $125,000 in site permitting expenses, as well as roughly $150,000 in site monitoring during site development and construction.

Haywood Grading: Haywood Grading offered a low bid and allowed WNC Communities to negotiate with subcontractors to lower expenses, which saved $30,000 in retaining wall expenses, $50,000 for gravel, and $30,000 for blasting. In addition, Haywood Grading worked at cost without corporate overhead and in fact took little or no salary for the two principles. Overall, we finished a grading project that would have easily been $1.25 million for around 70% of that cost.

H & M Constructors: H&M responded to the challenge to reduce the approximate $1.5 million building cost to match a smaller amount of available grant funds. By offering a minimal cost-plus bid and allowing WNC Communities to negotiate with subcontractors to secure lower expenses, we were able to save approximately $300,000 to $400,000.

Sewell Contractors: Sewell saved WNC Communities a couple hundred thousand dollars. They set the shop and field cost at variable overhead only. This meant the hourly rate was actual plus benefits only. They also allowed us to negotiate material costs that saved $30,000 to $40,000. At one point, when funds were a little short and we were figuring out what to drop from the project, Sewell said, "This is our work and it's gotta be done right. We will take it on our tab."

Southern Concrete: Southern Concrete discounted their prices by a substantial amount and allowed all subcontractors to use this same price. They also made a cash contribution to the project. The total value of their discounts and donations were well over $25,000.

Vulcan Materials: Vulcan provided gravel to our contractors on this project at a discount off contractor price, resulting in more than $50,000 in savings.

We are grateful for these partners, including our State and Federal Legislators, for their willingness to address the economic development needs of our farmers and our rural communities through the WNC Regional Livestock Center project.

Review of Project Milestones

The following is a brief summary of the major steps undertaken to create the WNC Regional Livestock Center.

Feasibility Study: WNC Communities, the Buy Haywood Market Development Project, and other partners conducted a feasibility study to determine how a new regional livestock center could be operated successfully. This document formed the basis for our efforts to create the new facility.

Funding: WNC Communities secured over $3 million for permitting, facility design, site preparation, construction, equipment, and marketing of the new WNC Regional Livestock Center. The chart to the left details the major sources of cash support for the new facility. (Please see the Partnership Section and the Donor list in this report for more extensive listings of cash and in-kind donors as well as other project supporters.)

Land Lease: WNC Communities secured from International Paper (IP) a 99-year, low cost lease for 60 acres of land for the facility. All of the land is associated with a closed landfill in Canton. The Town of Canton, our leasing partner, has been extremely cooperative and helpful in this endeavor.

Facility Design: The WNC Livestock Development Committee visited several existing livestock markets to determine the best fit for our region. The final design reflected ideas adapted from those facilities, as well as input from WNC livestock producers and Southeast Livestock Exchange, the entity selected to manage the new facility. The design includes many ideas developed by Temple Grandin, a professor at Colorado State University who specializes in the humane treatment of livestock.

Permitting: WNC Communities worked with IP, NC DENR, and others to secure all of the necessary permits for site use, site preparation, construction, and operation of the new facility.

Site Preparation: Working with IP, NC DENR, and others, WNC Communities prepared a portion of the site for the new building and associated improvements (e.g., driveway, parking lot).

Construction: WNC Communities built a 44,500-square-foot livestock auction facility, with offices, a conference/training room, and the sales arena occupying some 8,000 square feet, and the remainder housing a livestock handling barn, including a catwalk to enhance viewing and management of the livestock there.

Equipment & Furnishings: WNC Communities equipped and furnished the new facility, including various needs in the barn area to receive, process, manage, and hold livestock, as well as other needs in the sales arena, including seating, a floating scale to weigh cattle, and computer software and screens to share livestock and sales data with those in attendance.

Education & Training: WNC Communities is working with the facility operator, NC Cooperative Extension, NC State, the Mountain Cattle Alliance, and others to help livestock producers earn Beef Quality Assurance (BQA) certification to help them earn even more money when they sell their cattle. More than 100 area producers are now BQA certified, and recent sales have proven that BQA cattle will earn a premium. These training efforts will continue – and expand – through the new training facilities at the WNC Regional Livestock Center.

Facility Operations & Oversight: WNC Communities established the WNC Regional Livestock Center LLC to oversee facility operations. Area livestock producers, the LLC, and WNC Communities' board and staff worked to identify and select a producer-supported and fiscally healthy operator of the facility, which is Southeast Livestock Exchange. The first weekly sale took place on March 21, 2011, with capacity crowds. Sales have occurred weekly, and we expect to host 48 sales per year. A quality assurance team made up of NC Cooperative Extension agents and area livestock producers will help monitor activity at the market and the performance of the operator. Their work will supplement ongoing efforts by WNC Communities' existing board and staff to monitor, maintain, and grow the WNC Regional Livestock Center and its programming.

Project Innovations

WNC Communities can think of no better indication of project innovation than being selected for a 2011 Innovation Award by the National Association of Development Organizations (NADO). The award selection was revealed to WNC Communities in July 2011, and it will be presented at NADO's Annual Training Conference in October 2011 in Miami, Florida. Many of the innovation topics included in the award application are detailed below.

Regional Approach: The dynamics of livestock sales/auctions require a regional solution, because county-level operations would be too small to be viable. While other regional-scale facilities exist, few of them are convenient to WNC's 3,000+ livestock producers, resulting in wasted time, money, and air quality as these producers travel further to other markets – or else they simply give up. The new facility addresses these issues of scale and accessibility, while also incorporating other important elements detailed below. For all these reasons, this regional approach is both innovative and highly beneficial, as evidenced by the early results of the new facility.

Partnerships: Strong partners made this project successful. These partnerships were recognized through the Southwestern Commission and Land-of-Sky Regional Council in receiving this award. We cannot overstate the role of the livestock producers in bringing this need to the forefront and committing their time, energy, and financial resources to make it happen. This was truly a project that came from the grassroots, and we were fortunate to find lots of groups and agencies ready, willing, and able to respond. While the basic concept of partnership is not new, these partners played crucial roles in developing the ideas, raising or providing funds and in-kind support, and carrying out key tasks.

Fundraising for Facility/Capital Costs for New Businesses: Regional facilities such as the livestock center require substantial upfront capital costs. Our feasibility study showed that a facility could be operated sustainably, but it still required an infusion of capital to create the actual facility. Facing this reality, WNC Communities implemented a two-part strategy of utilizing its non-profit status to attract funds and create the facility and then forming a limited liability company (LLC) to oversee facility operations and select an operator. By involving a producer group in the operator selection and long-term facility management, WNC Communities will ensure that the facility is always operated in a manner consistent with the needs and expectations of the people it is trying to help the most: area livestock producers.

Video Internet Sales & Truckload Lot Sales: Video internet sales increase the flexibility of selling, while also lowering the cost of those sales. With video sales, sellers can market their product via video and internet, and buyers can find the match for their orders without being present onsite for the sale. The livestock do not have to undergo excessive loading, transport, and unloading that can stress the animals. Southeast Livestock Exchange has already sold more than 11,400 head of cattle for over $10 million through the video sales component conducted at the new livestock center.

Truckload lot sales can produce significant transportation savings, as the travel for some 50,000 pounds of livestock is handled in just one transport. This approach allows smaller producers to aggregate their livestock to maximize the sales price, as proper classification and grading for a full truckload encourages buyers to pay top price. The operator facilitates these truckload sales through strong relationships with both buyers and sellers.

Training for Improved Income for Family Farmers: Our partners all agree that targeted training can help local livestock producers earn more money in the marketplace. We are focused on helping producers add value to their product, and some will pursue Beef Quality Assurance (BQA) certification. Having a training facility co-located with the sales arena facilitates these training activities. Early results are showing the desired impact, with added-value or BQA cattle earning up to a 10 percent premium over other cattle. Results like these are encouraging other producers to participate in this training. Future workshops may focus on other key topics, such as the selection of livestock breed; breeding (including "cycle timing"); the feeding and growing process; the finishing process; and timing the selling cycle to match peaks in market pricing.

Replicability: We believe that many of these innovations can be replicated to benefit livestock producers in other regions and/or to address other agriculture sector needs in WNC or elsewhere, especially those that require a regional solution, an initial infusion of capital, and/or a major training component. Relevance beyond the livestock sales issue might include anything from produce processing and packaging to slaughterhouse facilities.