

CLC Value Chain Development Fund:

Economic justification & impact statement

HF1645 (Brand) and SF1353 (Gustafson) would provide grants to Minnesota businesses working to develop value chains for “continuous living cover” (CLC) agricultural products. This expenditure would target enterprises primed for commercial breakthroughs, in turn helping to deliver public benefits such as clean water and providing new market opportunities for farmers. This factsheet provides examples of the need and projected outcomes of such an investment; more detailed justifications are available upon request.

Perennial Pantry (Burnsville, MN) is a national leader in processing, marketing, and selling high-quality (and Minnesota-grown) Kernza ingredients and value added food.

Investment: \$750,000 to scale existing Kernza® processing and food-manufacturing facility to 2000 lb/day:

- \$ 245,000 – Equipment. Commercial mill, sifter, conveyors, grain bins, ovens
- \$ 170,000 – Facility. HVAC, dust collection, food safe space, forklift
- \$ 100,000 – Production and product R&D
- \$ 115,000 – Marketing
- \$ 120,000 – Cashflow

Impact: Doubling of current MN Kernza® acreage, resulting in over three years in lower input costs (330k lbs less N applied), reduced N leaching (270k lbs. less N loss) for clean groundwater, 24k tons of topsoil erosion prevented, \$13M in retail sales.

Midwest Elderberry Cooperative (Montrose, MN area) is an open, 308(b) native elderberry growers cooperative with 31 members nationally, 11 in MN.

Investment:

- \$350,000 for a 9300 cu ft cold storage facility w/offices built ready for doubling that size later.
- \$70,000 machinery, refig. truck, for harvested crop packing line to meet FDA standards
- \$330,000 for a wholesale ingredient processing line TBD in agreement with contracted buyers

NOTE: All costs and profitability model documented in recent USDA VAPG Feasibility Study

Impact: Regional hub will support growth from 81 existing MN acres to 823 acres over the next 5 years growing large scale commercial production from this year's MN production from a few thousand pounds to 350,000 lb. enabling MEC to offer buyers contracts for harvest in advance to MN food and beverage manufacturers and generating \$750,000 of annual gross revenues to those MN growers in addition to what they earn apart from the coop. Native elderberry is a woody perennial known for its extensive root system that preserves and improves soils. It also supports over 60 native pollinators.

Smith Greenhouse (Fairmont, MN) would use funds to add additional capacity to a third generation greenhouse to grow hazelnut seedlings and cultivars for retail sales.

Investment:

- \$75,000 – Increase capacity of existing greenhouse operation for hazelnut seedlings and cultivars.

- \$50,000 – Equipment, benches, containers, supplies

Impact: To provide a Minnesota source for growers to purchase hazelnut seedlings and cultivars being developed at the University of Minnesota and Wisconsin.

Rural Advantage (SE Minnesota) is a nonprofit capitalizing on the interconnections between agriculture, environment and community, looking to use funds for a facility to process Hazelnuts and other perennial crops for commercial sales.

Investment: \$525,000

- \$225,000 – Processing Facility [Commercial kitchen, processing and cold storage warehouse]
- \$175,000 – Processing Equipment
- \$75,000 – Cooler and Freezer for product storage
- \$50,000 – Skid loader and Attachments for material handling

Impact: This facility would provide a shared space for hazelnut and other perennial/ 3rd crop growers in Minnesota to process their crops in preparation for commercial sales. To start, equipment would be for hazelnut processing with additional processing added as demand grows for other crops such as walnuts, aronia berry, small fruits, small grains, etc. Commercial kitchen would be a licensed facility.

Regeneration Farms LLC dba Tree-Range Farms (SE Minnesota) is a for-profit business partnering with family farmers to sell regeneratively produced Organic certified poultry products and food crops into high-value food and ingredient markets. Hazelnuts and elderberries are foundational perennial plants in the Tree-Range system, and can provide significant and diversified revenue streams for partner farmers, especially if USDA Organic certified. Tree-Range is seeking funding to support equipment and staffing costs associated with the aggregation, processing, marketing and sales of our partner farmers' elderberries and hazelnuts under the Tree-Range brand.

Investment: \$495,000

- \$300,000 – Aggregation, processing, storage and distribution of elderberries and hazelnuts (includes working capital for timely producer payments). To optimize sector infrastructure investments and returns, processing will be done wherever possible/appropriate in conjunction with Rural Advantage, Regenerative Agriculture Alliance, American Hazelnut Company & Midwest Elderberry Cooperative).
- \$75,000 – Marketing, Label and Packaging research, development and consulting costs
- \$120,000 – Sales and marketing staffing for start-up support (includes overhead)

Impact: These investments in Tree-Range Farms' elderberry and hazelnut sales and marketing capacity will leverage and multiply the value of the funding support for hazelnut and elderberry deployment and infrastructure, as we grow the awareness and demand from higher value food and ingredient markets for these crops from our producer partners and others (we project to increase from our 11 current farmers to over 150 Tree-Range farmers by 2027 who together are projected to produce over 3000 acres of organic commercial elderberries/hazelnuts in Minnesota and neighboring states of the Driftless region).

Gertens Nursery / SUN Consulting (Inver Grove Heights, plus 250 acres of in-ground tree and container growing ranges in Lake Elmo, Cottage Grove and Vermillion, MN) is a regional leader in wholesale and retail horticultural industry, partnering with agri-business management consultant to accelerate the propagation, production scale and distribution of new agricultural products and markets.

Investment:

- \$120,000 – Facility, production overhead, security measures and asset tracking
- \$80,000 – Containers, soil, water, fertilizer, micronutrients, supplements and amendments
- \$40,000 – Nursery production, R&D, programmable heat and lights, tree spade equipment, in-ground irrigation, field prep
- \$20,000 – Marketing, communications, market development

Impact: Propagate up to 200,000 patentable hybrid hazelnut plants – enough to jump-start growers' interest and commitment to planting 400 new hybrid hazelnut acres throughout Minnesota, generating new income streams for nurseries and farmers, and new royalty income for the U of MN. Use recently released research techniques and new novel commercial horticultural best practices to accelerate and scale production of top performing plant material. Create demand for early adopter on-farm demonstration plots, to test new field management and harvesting equipment, pest management protocols, and hazelnut processing equipment.

MNL (Minnesota Native Landscapes) (Otsego, Lonsdale, Foley, Glyndon MN) is the Upper Midwest's market leader in ecological restoration, including production and processing (cleaning) of hundreds of species of perennial native grasses, wildflowers, and more, including contract production and custom cleaning of Kernza.

Investment: \$460,000

- \$60,000 – Commercial de-huller
- \$250,000 – Facility upgrade for bulk handling
- \$50,000 – Food grade processing facility conversion
- \$100,000 – Commercial bagging line

Impact: Ability to handle commercial scale volumes of Kernza, up to 5,000 cleaned lbs/per day (cleaned for seed or grain quality). This will allow MN producers of Kernza several regional hubs to bring material in bulk volumes to have their crop cleaned, bagged, and ready for market. Up to \$25,000 per run day Kernza grain value produced, all within Minnesota.

Fountain Ark Farms (Montrose, MN) grows high quality, nutrient dense elderberries. We strongly believe in the market potential of elderberries and their numerous health and medicinal benefits.

Investment:

- \$300,000 – Retrofit existing building into processing center, equipment, custom de-stemmer
- \$85,000 – Business and market development

Impact: Expanding Fountain Ark Farms to its full 100 ac of elderberry potential will create a national flagship for elderberry production in MN, and offer further opportunities for other elderberry growers to process their harvest-mitigating risk in regional supply chains. This large-scale, profitable agroforestry site will encourage others to diversify their operations with perennial and continuous living cover crops. Most elderberries are imported from overseas, so our goal is to become one of the largest domestic elderberry producers while providing high quality, good paying jobs over the next decade.

Cannon Valley Graziers (Northfield, Southeastern Minnesota) is a land management company whose mission is to use adaptive grazing to improve water quality and soil health in southern Minnesota.

Investment:

- \$110,000 – Equipment (fencing, transportation, portable livestock watering stations)
- \$50,000 – Marketing & Outreach

Impact: By installing and managing Kernza® as a continuous living cover in Drinking Water Supply

Management Areas (DWSMAs), we can reduce nitrates found in the groundwater of rural communities by up to 99%. Through the implementation of adaptive grazing on these sites, we will improve soil health, and demonstrate the scalability of Kernza® as an effective crop for grain harvest, sheep forage, and water quality management on DWSMAs.

Perennial Promise Growers Cooperative (Madison, MN) incorporated as a cooperative under MN Statute 308A, represents 27 members, and approximately 1200 acres of Kernza® – approximately 30% Kernza® market share in North America.

Investment:

- \$425,000 – Post-Harvest Processing, Handling and Infrastructure Capacity
- \$250,000 – Management, Operations, Marketing, Sales and Consulting Staff
- \$75,000 – Business Planning and Start-up expenses

Impact: Funding for Post-Harvest Processing and Handling Infrastructure will encourage critical new entrepreneurship to build a market-based solution to our environmental and water quality challenges and opportunities, and has the potential to launch an entirely new industry in Minnesota. Kernza® presents the rare opportunity to promote economic development across multiple sectors while simultaneously improving our natural and working lands and environmental outcomes.