



Shenandoah Valley Partnership 2019 Economic Development Strategic Plan

Executive Summary

The stark reality of economic development is that it is a global affair. Countries and city-states as diverse as Ireland and Singapore compete for the capital of many of the same companies as do we in the U.S. While we collectively embrace our quality of life, this does not directly translate into profits. Companies will follow where there are markets for their products, and where capital is both appreciated and rewarded. The factors in business location decisions are as they were more than 30 years ago in the ascendency of the majority of U.S. states and localities entering the business of economic development:

- Proximity to markets and transportation
- Workforce
- Quality of life
- Business climate
- Sites and buildings

However, there are changes occurring in demographics of the workforce, technological change across all business sectors, global market sophistication, transportation, energy costs and resource availability. These changes are driving a reordering of the location factors in a manner that is conducive to the Shenandoah Valley.

The Shenandoah Valley is renowned for its beauty and quality of life. For more than three hundred years, the Shenandoah Valley has attracted immigrants searching for a higher quality of living. Their hard work and the bounty of the land imbued residents with a deep appreciation for their environment and instilled a strong work ethic among the workforce whose reputation transcends far beyond the region. These attributes are becoming the most important for companies, both existing and new, in location decisions. Workforce and quality of life factors are on the ascendency. Companies are now in the unenviable position of competing for workers, and younger workers are more likely to choose where they live before choosing their occupation. The Shenandoah Valley not only embraces its quality of life and work ethic, it is part of the regional ethos. There is an entrepreneurial spirit and appreciation of the outdoors that characterizes the region, but neither the Shenandoah Valley Partnership (SVP) nor our partners, are doing enough to promote these attributes and retain the young talent in the region. Doing so is a must for the region to be successful.

The Shenandoah Valley is poised as a region to take advantage of our attributes and put them to use. Workforce is the key to prosperity for both our citizens and our companies, and is essential for the recruitment of new companies. Enabling smaller growth companies via economic gardening and entrepreneurship programs will provide the business owners the skills to accelerate their growth. International presence through growth in international trade is often overlooked as economic growth, but is exceedingly helpful in business diversification. Diversification in economic growth is also necessary to equitably benefit the region's localities. There exists very divergent conditions within the SVP footprint and each locality deserves to benefit from growth in the region. Strategies to assist with basic community development must come first to retain the workforce before traditional economic development can begin. Finally, businesses need a place to expand as they grow. For the Valley to be successful, we must develop a regional program, working with partners like GO Virginia Region 8, to create regional parks where localities can share in the benefits of economic growth.

While the region has a diverse business environment, from the perspective of SVP's return on investment (ROI), there are strengths that the Shenandoah Valley should utilize and promote. The strategy to maximize the partners' investment is to continue to pursue agribusiness, manufacturing, information technology, pharmaceuticals/medical, food and beverage, and logistics and transportation. These will be enhanced with efforts to convene and guide workforce development and education, talent retention, adventure tourism manufacturing and marketing, economic gardening, international trade growth and community development/nontraditional economic development initiatives. The term used for the union of activities combining traditional and nontraditional economic development as set forth in this strategic plan is called Convergent Economic Development and guides SVP's future operating principles. These efforts will set the Shenandoah Valley apart.

Convergent Economic Development

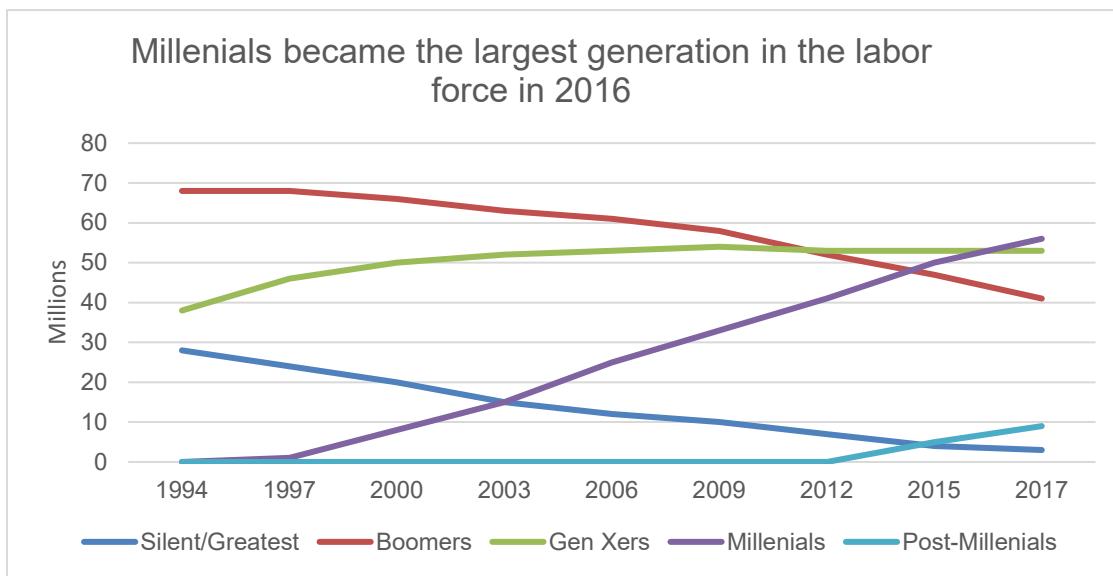


SVP 2019 Strategic Plan

Current

The Shenandoah Valley Partnership (SVP) has surpassed its 20th anniversary, and by all accounts, SVP has been a successful regional economic development organization. It has a collaborative, effective and efficient reputation with strong economic development partners. SVP is often considered one of the top three regional organizations in the Commonwealth, and is perceived as a region with a great quality of life, an extremely good workforce and a collaborative, can-do spirit. With historical success in context, arguably, significant changes are not warranted. But as with all things, nothing is static. In order for SVP to deliver the best return on behalf of our partners, we must respond to changes in the workforce, the marketplace and increased competition.

The workforce is rapidly changing and economic developers must adopt new strategies to be successful in retaining and recruiting new businesses. Demographics are driving part of the change. Baby boomers, those born from 1945 to 1964, are retiring from the workforce. The Pew Research Center predicts that millennials will outnumber the baby boomers in 2019¹ and they already have become the largest segment of the labor force (2018)². In January 2019, as employment has exceeded 97% in the Shenandoah Valley, businesses are being buffeted by retirements and the increasingly difficult task of finding workers to replace them. Newer generations of the population are motivated by different factors for choosing where to live. While the Shenandoah Valley is fortunate to be growing in population as a whole, sustaining this trend must be a regional focus. Fortunately, the U.S. Census Bureau reported that millennials are moving less than previous generations (2016)³.



Note: Labor force includes those ages 16 and older who are working or looking for work. Annual averages shown.
Source: Pew Research Center analysis of monthly 1994-2007. Current Population Survey (IPUMS).

Likewise, the business environment and the nature of business itself is exceedingly dynamic. A popular anecdote is that the only kind of manufacturing is advanced manufacturing; essentially advanced manufacturing has become a redundant phrase and will hereafter in this document be referred to as manufacturing⁴. The Shenandoah Valley has attracted numerous such companies, as well as grown its own, but the market in which we compete is global in scope. No longer is the Shenandoah Valley competing with just another Virginia region, or a neighboring state. More likely we are competing for capital from companies considering broad global geographic locations. Fortunately again, the SVP region has a broad collection of international companies that operate within the region.

Implications for SVP given the increasingly competitive global market is that the organization should focus on the region's inherent strengths with our limited marketing funds. SVP must develop initiatives that directly impact the factors in companies' location decision-making and then promote them heavily. Moreover, instead of trying to be a good fit for many industry sectors, we should focus on those in which the region excels: food and beverage, agribusiness, manufacturing/pharmaceuticals, logistics and professional services/information technologies. This assessment of the region's strengths is supported by the Central Shenandoah Planning District Commission's Comprehensive Economic Development Strategy, August 2018 (CSPDC CEDS, 2018). By enhancing the programs that directly benefit these companies, SVP will heighten our success in these sectors, thus likely attracting their supply-chain and peripheral companies. It is important to note that other business sectors are not being excluded. Instead, the focus is merely on those that have the highest probability of success in the Shenandoah Valley.

Finally, the structure of economic development is changing. It has always been dynamic due to the changing business environment and pace of technological change. While economic development practitioners like to believe that we are equally cutting edge, the truth is that the vast majority of our efforts are spent in a reactionary mode. It has been the truly rare instance that economic developers have been in the lead; an example of which is creating publicly-owned business parks and spec buildings in anticipation of companies' need for speed to market. However, factors previously described are creating the chance for savvy economic developers to anticipate the need of business and provide the resources that will reduce the risk in location decisions, i.e., workforce training solutions, potential supply-chain linkages, talent retention and site mitigation risks.

The location factors of 30 and 40 years ago are still the same. However, workforce dynamics are altering the priority ranking of importance of these factors (Moriarty, 1980). The new ranking is:

- Workforce
- Quality of life
- Sites and buildings
- Proximity to markets and transportation

- Business climate

Without question, there are additional factors in the decision process, and one can argue the merits of the rankings, but when averaged together, and validated by visits with more than 400 companies by the Virginia Economic Development Partnership (VEDP) Business Retention and Expansion (BRE) team between late 2017 and October 2018, workforce issues dominate the risk-reward calculus of companies' decision making. The last two factors some would argue come to the forefront, but most companies' executives will explain that transportation and business environments are fundamental; if you do not have these, you are not in the game. Therefore, this strategic plan sets forth a slight alteration of SVP's traditional mission and identifies additional initiatives that elevate the Shenandoah Valley region to the forefront. These initiatives focus on workforce programs, talent retention and attraction, and regional site development.

Target Sectors - A More Focused Approach

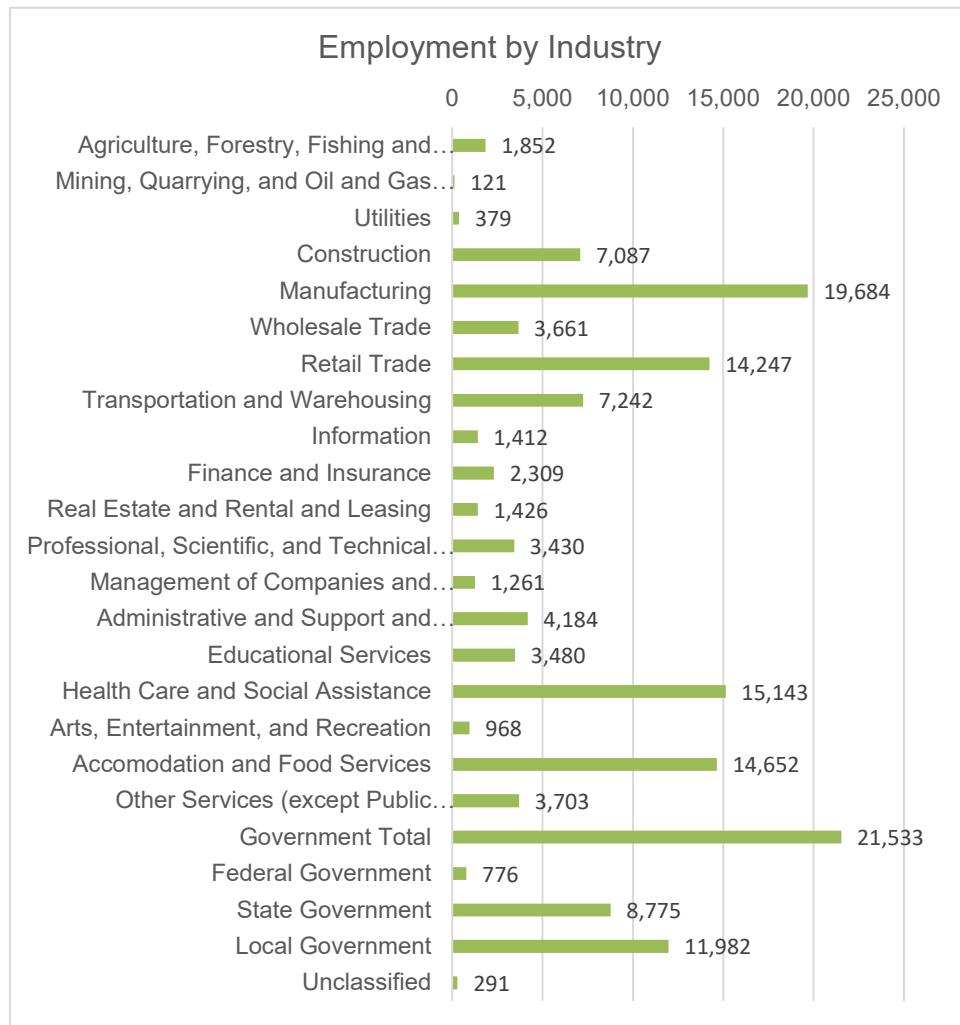
The Shenandoah Valley is an amazing proxy for the Commonwealth in terms of similarities in diversity of business sectors, population densities, and the ability to attract domestic and international companies. As such, the region is a good location for most growing business sectors and is aligned with target sectors at the state level. In addition, the Shenandoah Valley has proximity to northern Virginia and Baltimore and is a crossroads to the major markets in the Northeast, Southeast and Midwest. These attributes allow SVP to craft a credible message to deliver to our target companies.

SVP will continue to aggressively recruit businesses to Virginia from across the industry spectrum that add to the diversity and economic vitality of the region. However, owing to the region's strengths, SVP recommends focusing its marketing resources on these targeted business sectors: agribusiness; manufacturing (food/beverage, industrial equipment and products, medical equipment, pharmaceuticals, etc.); information technology and professional business services; and transportation and logistics.

These four sectors have been successful in the region and continue to be a focus of the Commonwealth based on research conducted by McKinsey in 2017 for VEDP. Further, when analyzed on a regional basis in the McKinsey strategic plan, these were the sectors found to be a competitive advantage for the Shenandoah Valley for traditional economic development.

Surprising to most non-residents, manufacturing is strong in the region. The Shenandoah Valley has a long history of manufacturing, including a significant international presence of manufacturers. Companies such as AAF McQuay (Daikin) producing industrial equipment to legacy companies like Tenneco have multinational presence. According to the Virginia Employment Commission Labor Market Information data, manufacturing is the largest private sector employer in the Shenandoah Valley (See Employment by Industry, Virginia Employment Commission, Labor Market Information, 2019)⁵. This fact conveys that the region has the business infrastructure to support manufacturing. Instead of subdividing manufacturing sectors into separate

targets, the message should be that the Shenandoah Valley has the means of supporting most manufacturing. Thus, the recommendation of this strategic plan is to collapse several of the named sectors, e.g., HVAC and plastics, into manufacturing.



Source: Virginia Employment Commission, Economic Information & Analytics, Quarterly Census of Employment and Wages (QCEW), 3rd Quarter (July, August, September) 2018.

While there is not a heavy presence of medical equipment manufacturers, the presence of Merck and Cadence provide a strong message about the presence of medical sophistication in the Shenandoah Valley. Both companies are some of the largest private employers and provide exceedingly good wages. Fortunately, Augusta and Rockingham Counties, SVP and VEDP have good relationships with the companies, have worked on numerous projects, and the region has benefited from their reinvestment.

As it relates to the pharmaceuticals industry, the Commonwealth has interests in connecting the pharmaceutical assets in the Lynchburg region with those in the Shenandoah Valley by amplifying the presence of the industry and marketing this larger area. SVP will be a proponent of doing so and encourage the efforts VEDP proposes to

recruit additional pharmaceutical firms to the region. Notwithstanding the presence of Merck, this strategic plan proposes to incorporate pharma as a subset of manufacturing.

As identified in the CSPDC CEDS, the medical sector is also supported by a very heavy presence of hospitals and a medical community that may be attractive for elective or specialty surgical procedures. Categorization of the medical sector can incorporate provider services, e.g., Sentara; manufacturing, e.g., Cadence, Hollister and Merck; or professional services such as Anthem benefits claim processing. All of these subsets offer good wages and jobs, but not all of them are traded sectors, meaning that some business sectors do not sell services beyond regional boundaries and therefore are driven by marketing demographics, e.g., doctors' offices and hospitals. Since all of the medical subsectors can be identified as belonging to other business sectors, particularly if using the North American Industry Classification System (NAICS), medical as a targeted sector is proposed to be eliminated as separate and incorporated as parts of manufacturing, IT and professional business services.

Agribusiness

Agribusiness is intentionally mentioned apart from the food and beverage manufacturing sector in this strategic plan due to its breadth and incorporation of non-traded sectors. Agriculture and agribusiness are very strong in the region and represent a broad range of companies from forestry operations, farm dependent operations, such as dairy manufacturers, to local craft brewers and distilleries (Rephann, 2017)⁶. According to the 2012 U.S. Department of Agriculture, Census of Agriculture, Rockingham, Augusta, Page and Shenandoah Counties are ranked number 1, 2, 4 and 5 respectively as the largest agriculture localities in Virginia (U.S. Department of Agriculture, 2012)⁷. In addition, the presence of companies such as Shamrock Farms, Speyside Bourbon Stave Mill, DanoneWave, Cargill, Virginia Poultry Growers Cooperative, Pilgrim's, and the numerous breweries, and supporting businesses such as Houff Corporation and Poultry Specialties, speaks to the importance of agribusiness to the Shenandoah Valley economy. Complimentary, the food and beverage sector promises to continue to be a strong contributor and is essentially recession-proof. As technology advances, companies' innovation keeps pace with the workforce constraints. The SVP will continue to pursue and support this sector.

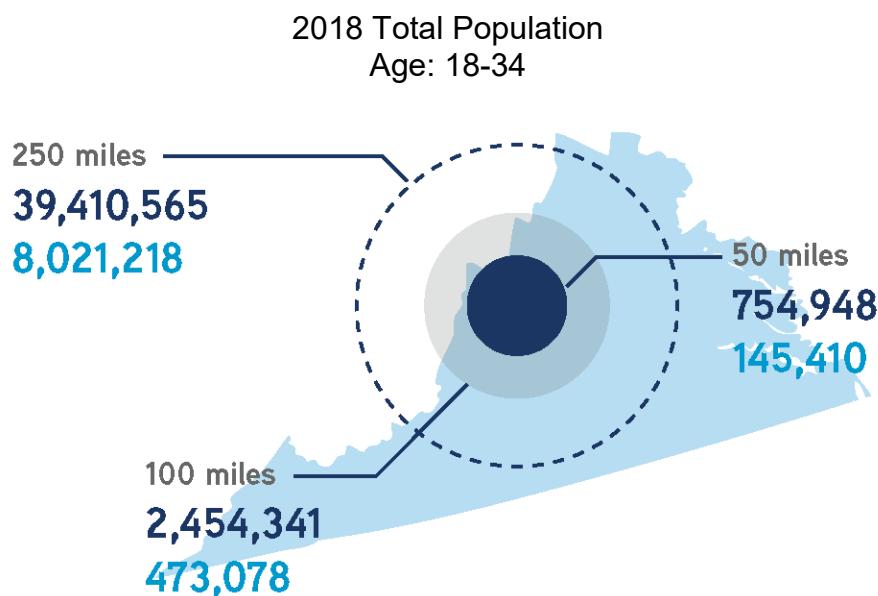
Manufacturing

The manufacturing sector remains a bedrock component of the U.S. and Virginia economies. Although it is not the dominant employer it was a generation ago, manufacturing drives technology, productivity, and innovation across all industry sectors. Within Virginia, 240,000 workers (Virginia Employment Commission, 2018) are employed in the manufacturing sector and contribute more than \$38 billion (2017) to the state's economy through payroll taxes, purchases, and significant multiplier impacts through other down-stream industries.⁸ Wage levels and the overall industry multipliers are higher for the manufacturing sector than other industry sectors, contributing to overall state income and economic stability. Moreover, manufacturing has a heavier concentration in the Shenandoah Valley than in most regions of Virginia and according to the Virginia Employment Commission's demographic profile of PDC 6 (Central

Shenandoah), manufacturing constitutes the largest private sector employment.⁹

Transportation and Logistics

Logistics is crucial to the manufacturing and retail sectors and is becoming more important as both ecommerce and globalization increase. It should be noted that ecommerce is embedded in the plan's discussion of logistics; they are nearly synonymous. Market proximity and the flow of resources is the lifeblood of their existence. As quoted by John Lesinski in Colliers International 2019 U.S. Research Report, *10 Emerging U.S. Industrial Markets to Watch in 2019*, that included the Shenandoah Valley/I-81 Corridor, "The Shenandoah Valley region offers a plethora of advantages including land available for development and proximity to the metro Washington, D.C., Baltimore and Ohio Valley population bases. The market can reach one of the largest population concentrations in the country, as nearly 40 million people live within 250 miles of the market's core."¹⁰ I-81 is considered by many as the major East Coast transportation artery connecting the Southeast to the Northeast, with I-64 serving as both ingress and egress to the East and West. The region also has easy access to the Virginia Inland Port at Front Royal via I-66, rail connections direct to the Port of Virginia and close major markets, and connectivity to the world through non-stop jet service from Shenandoah Valley Regional Airport to Chicago O'Hare and Washington-Dulles international airports. The Shenandoah Valley has the attributes for workforce, land availability and cost, market proximity and transportation assets that make it an advantageous location for logistics reaching into the Northeast, Southeast and Midwest.



Source: Colliers International, 10 Emerging U.S. Industrial Markets to Watch in 2019

The region has been successful in attracting major distribution operations, and has the land to attract more. While at one time distribution was not considered desirable, due to both the investment per square foot and the wages associated with the required technical sophistication of logistics operations, this sector has become increasingly

attractive. It also has the distinct attribute of not requiring major infrastructure expenditures from localities. Moreover, the assets of the region provide an advantageous cost/benefit ratio for outreach: not as much direct marketing is required to achieve positive results.

Information Technology and Professional Services

It is increasingly difficult to separate information technology (IT) from manufacturing and professional services. By their very nature, manufacturing and professional services rely upon information technology to function: it is a prerequisite, not an option.

Notwithstanding, for the purposes of this strategic plan, the identification is used to denote computer science and engineering, data centers and data processing, professional firms that design software, and firms that loosely fall under the category of consultants, whether it be consulting engineers, cyber security or management consultants.

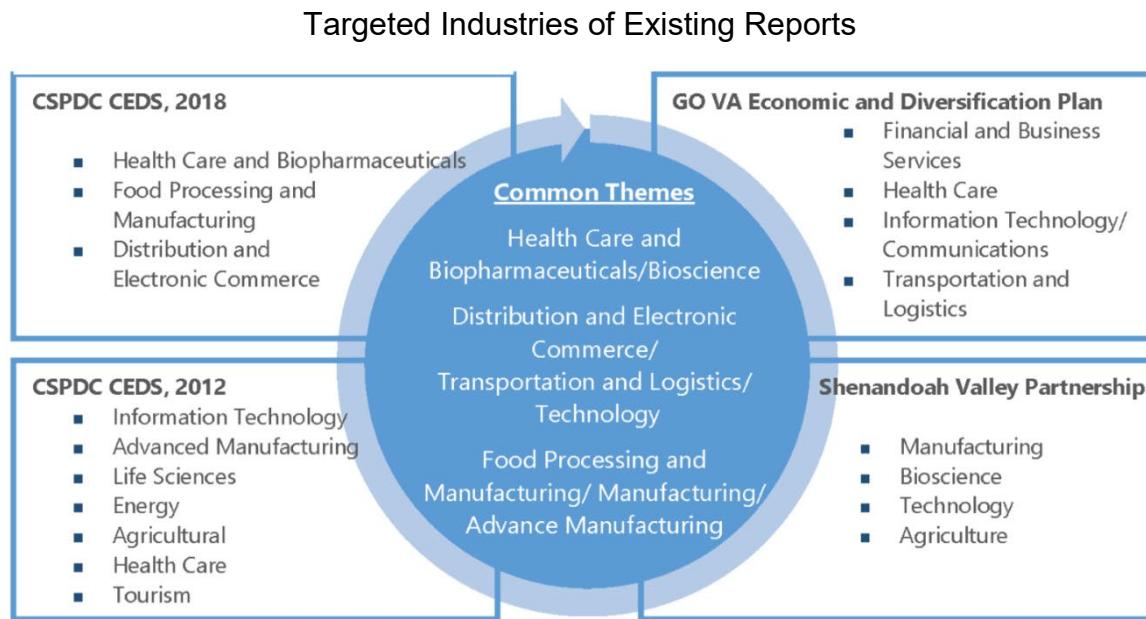
Perhaps the foremost advantage the Shenandoah Valley region has over many of our peers is the number of community colleges, 4-year colleges, and universities in the region. Due to the demands of IT in the marketplace, every secondary higher education institution has a focus on providing IT training, whether it is through certifications or graduate degrees. For example, James Madison University's (JMU) Center for Forensics and Information Security, Virginia Military Institute's (VMI) Computer and Information Sciences with a minor in Cyber Security, Bridgewater College's degree in Computer Science and Blue Ridge Community College's (BRCC) Cyber Security classes convey a strong message about computer skills availability. Proximity to the northern Virginia market, however, is both a benefit and a threat. Proximity poses a benefit because the Shenandoah Valley is a much less expensive region in which to locate and live than is northern Virginia, and is within short driving distance. Many IT companies can locate anywhere as long as there is good broadband connectivity and an available workforce. Conversely, the threat exists because of these same attributes, and companies in northern Virginia can recruit the workforce talent to their locations.

Analogous to the IT sector is the professional business service sector. While utilizing many of the same skillsets as computer science, this sector also seeks broader certifications and degrees. The abundance of higher education programs are a tremendous asset in the region. A message crafted around these capabilities as well as stories about home-grown successes can help recruit and retain these high-wage paying companies.

Nontraditional Economic Development

The current economic development environment in which SVP competes is rapidly changing and global in scope. While market needs will drive the location factors for a company's location, the prioritization of the factors is changing. Workforce and quality of life/place are competing as the most important factors, and there is an argument to be made that they are in fact synonymous when considering demographic changes. This scenario presents SVP with an opportunity, through Convergent Economic

Development, to develop a message, convene interested parties, facilitate programs and provide more equitable services to our constituents. The CSPDC CEDS developed, in conjunction with Camoin Associates and the CEDS Committee, a graphic that perfectly illustrates the principle in detail.¹¹



Source: Central Shenandoah Planning District Commission, Comprehensive Economic Development Strategy

The proposal in this plan is slightly different than represented in the graphic above, however, the SVP must be engaged in these different spheres of commerce. The time has come in which we must be holistic in our approach if we hope to maintain and accelerate our growth. SVP must be engaged and a partner in helping shape policy, e.g., the I-81 Federation; enhancing the quality of place through community development assistance; working on tourism opportunities both as SVP initiatives and with our local partners, e.g., agritourism, adventure tourism manufacturing; and proactively addressing talent retention and attraction opportunities. The Shenandoah Valley nor SVP can reach its potential if we do not. These issues undergird success in traditional economic development for the foreseeable future.

Workforce

In talking with more than 400 companies within a 10-month timeframe, the VEDP BRE team came away with an exceedingly deep understanding of how important the workforce is to economic growth. More importantly, it was quickly determined that many companies are desperate for workers first, and skillsets second – dependent upon population density. The Shenandoah Valley has a two-fold problem in this regard: the labor market is not as big as some regions in Virginia, and those individuals with the skillsets are recruited by companies in other regions; namely northern Virginia. Herein lies SVP's opportunity.

SVP does not need nor should be the owner of the workforce solution but should be a

facilitator and messenger of one. There are numerous workforce assets within the region, but by the inherent process of funding and regulatory constraints, the programs are isolated. While the Commonwealth is attempting to brand Virginia Career Works as a program, it does not eliminate the multitude of organizations playing in the workforce training space. The Shenandoah Valley is small enough that the leaders of our various workforce groups, from the Shenandoah Valley Workforce Development Board to the community colleges and universities, know one another, yet we are big enough to have robust programs. SVP will take a leadership role in convening regional education and workforce leaders to begin a dialogue and craft a program that can address skills provisions for those graduating from high school, reentering the workforce, or those seeking to improve their employment position. It also should be noted that this concept does not exclude private sector programs. The concept is that the Shenandoah Valley can create a regional version of the program proposed by VEDP; a turn-key workforce program in which a company can make one call and receive facilitated services. Addressing workforce concerns is the single-most important undertaking that will set the SVP region apart, and ahead, of every other region.

Talent Attraction and Retention

Since quality of life is key to the retention and attraction of workers, the question becomes do our younger workers know what jobs are available? While it is true that there are many employment opportunities in northern or eastern central Virginia, there are many unfilled employment opportunities in the Shenandoah Valley.

SVP should consider a messaging/marketing campaign analogous to the InDemand program in which the audience is the recent or pending degree, certification and diploma recipients. This effort can be combined with utilizing a platform like CUED-In that brings together job seekers, employers and skills provision assets. Simply put, the region has people looking for jobs, employers looking for employees, and the education system in place that can match training with skill requirements.

We must extol the message of the Shenandoah Valley's potential jobs, average salaries, cost of living savings (and what this translates to in housing and personal property), and quality of life. The Shenandoah Valley graduates approximately 7,000 per year (2016) from our higher education institutions. Even a 10%-30% retention rate would provide a significant workforce for companies in the region.

Economic Gardening

An essential component of economic development is community development, the difference being that localities are the primary groups working on capacity building. Capacity building takes many forms, among them is nurturing and growing existing companies. While entrepreneurship programs are beyond the scope of SVP's mission, economic gardening is a growth enhancement program and often transcends locality boundaries and certainly supports entrepreneurship efforts. It is a means of adding employment and tax base by more economical means via assisting those successful small companies that are growing. The program also delivers a benefit to urban and rural localities that are challenged with traditional economic development projects. It is

much easier to work with an existing company that exhibits growth characteristics, or has the potential for growth in a niche market. SVP should explore the opportunity to conduct economic gardening on a regional basis in conjunction with GO Virginia, particularly considering the long-term benefit to our urban and rural partners.

Quality of Life/Place

Heretofore, economic developers praised quality of life for the locality, region or state represented. Aside from recruiting new business to the area, actively seeking to improve the quality of life was either treated dismissively as a tourism function or considered a function of “others” such as developers, entrepreneurs, local civic-minded individuals or local community development specialists. Times have changed within the last three to five years: quality of life has ascended as a priority location consideration due to the demographic changes in the workforce. As generation Y (the millennials) continue entering the workforce, their predisposition as a population is to choose a location to live before considering employment. Even the oldest of the millennials in their late 30s are following this pattern. This process is in direct opposition to multiple generations before and changes companies’ location decision methodology.¹²

What this means for SVP is the opportunity to leverage both the reality and perception of the Shenandoah Valley. Not only can SVP tout the region’s quality of life, but we can also seek to directly improve it. As an example, the rise of the craft beer business is often treated with derision or humor as an anomaly or fad by many. In reality, the craft beer industry is but one very visible example of entrepreneurship at its best, and conveys a spirit of adventure, dynamism and progress. Craft brewers are moving into what had been otherwise unused storefront space and attracting customers to areas previously avoided. This translates directly into the quality of life that attracts a younger workforce. No better example is that of Danville which is transforming itself from a “stogy old textile town” as described by one prominent business leader, into a place that citizens are drawn to patronize and are proud of. In terms of selling quality of place, the Shenandoah Valley has a larger basis from which to work, plus the benefits of tremendous outdoor recreational assets.¹³

From a marketing and recruitment perspective, SVP should consider expanding outreach beyond traditional economic development projects. For example, this means recruitment of destination and experiential projects more closely related to tourism projects. Since tourism does not recruit projects, there is a void in the marketplace. An example of this type of recruitment is to imagine attracting a resort-like attraction as a project as it currently exists. A project of this nature can be transformative to the region’s more rural counties. In addition, SVP will work more closely with our tourism partners to share messaging, branding and marketing efforts.

Sites and Buildings

Product development is critical for the Shenandoah Valley. Virginia as a whole has a shortage of sites and buildings. While this is a detriment to recruitment, it is even more so for the expansion of existing business. Generally, existing companies comprise 70% to 80% of annual business growth. While there is a place for publicly-owned parks,

appropriate planning and consideration of shared rewards enables successful public-private partnerships to flourish. An excellent example of such a partnership is Southpoint Business Park in Prince George County. The Shenandoah Valley has a selection of sites and buildings, but the inventory is unevenly spread across localities. Further, some localities simply do not have the transportation assets and/or fiscal means to attract private investment for development.

Unfortunately, the Shenandoah Valley is at risk in regards to existing sites due to the current interest in developing solar energy projects, the potential for increased environmental regulations, and continued escalation in development costs. The recent spate of solar projects have identified several properties that we heretofore designated for industrial purposes. Many local land-use plans do not adequately distinguish the types of business uses resulting in land planned for industrial and business uses being consumed by solar electricity generation that provides much less tax revenue.

Moreover, there are many legitimate concerns about the environment, particularly as it relates to water quality. The Shenandoah Valley is third largest watershed in Virginia and drains via the Shenandoah and Potomac rivers into the Chesapeake Bay. It is inevitable that there will be more water quality regulations for land development in the future, thus increasing the development costs. This is in addition to the normal increasing costs on raw land, and infrastructure necessary for business use.

SVP should promote the study and potential development of a regional business park, in conjunction with GO Virginia Region 8. Only a few regional parks are under consideration in Virginia and the development process is slow and costly. The greatest need is for business parks that contain at least a 100+ acre site and multiple 20-50 acre parcels. The closest regional park is in Roanoke and is a joint development between the Cities of Roanoke and Salem, and Roanoke County. This is the Western Virginia Regional Industrial Facility Authority. The time to develop is now before the inventory shrinks to zero. Having available sites is crucial to the region's long-term viability to attract and retain companies.

Supply Chain

Supply chain recruitment is one of those amorphous terms that defines working with companies that can benefit from, or are dependent upon, certain business sectors. Mapping out connections is somewhat analogous to a genealogy tree defining the relationships across sectors. An example is a machine shop operator that sources billet material from a metal fabricator, who then machines parts that are incorporated into a sub-assembly by another company. This sub-assembly is then sent to a manufacturer that installs it into a much larger piece of equipment. These business linkages transcend manufacturing and are present in every business sector, whether it is medical, finance or retail, but its essence is logistics based upon product and service needs and market proximity. Therefore, this effort is considered a subset of SVP's Transportation and Logistics target.

Supply chain has become a focal point for VEDP and the BRE team because it is

relatively easy to determine needs by asking the questions of our existing companies. As an example, the BRE team identified two business gaps. The first was the need for co-packing operations in Hampton Roads, and additional machining operations almost everywhere else in Virginia. Working with our localities and the VEDP BRE team, SVP should identify these opportunities for the region and engage both our partners, our companies, and perhaps, leverage our investors to pursue identified companies.

International Trade

International Trade has been treated by most economic developers similarly to how quality of life has been treated; some professionals do it, but economic developers generally do not. The Harrisonburg MSA alone exported \$513 million in 2016 according to the Office of the U.S. Trade Representative (2016).¹⁴ Not participating in international trade activities is a missed opportunity because employment gains derived from a company selling additional products or services abroad have the same impact as those created by any other means. Introducing International Trade to our corporate citizens can be leveraged through VEDP's International Trade program and will cost SVP very little time and money to do so. Further, VEDP's program has been recognized as the nation's best international state-sponsored trade program.¹⁵ It has proven results ranging from diversifying companies dependent upon government contracts to taking various business service companies global. Moreover, the VEDP BRE team identified numerous international supply chain opportunities for existing companies that were recommended to the International Trade team for potential expansions.

To tie this back into another sector, the importance of international trade in agriculture and its impact upon the Shenandoah Valley cannot be understated. In 2016, agriculture and forestry exports were valued at \$2.77 billion and, by volume, accounted for more than half of containerized exports moving through the Port of Virginia (VDACS, 2019).¹⁶ A tremendous percentage of these exports come from the SVP region. China imported more than \$691 million in agricultural purchases, while Canada totaled more than \$296 million and Switzerland imported more than \$191 million in 2016.¹⁷ These countries and many others are purchasing a variety of Virginia agricultural commodities, wood products, seafood, and specialty food and beverage items. These items and others are promoted in the international marketplace by the Virginia Department of Agriculture and Consumer Services through its Virginia headquarters and a global network of trade representatives in Canada, Mexico and Latin America, Europe, the Middle East, India, China, Hong Kong and Southeast Asia (Global Trade Information Services). Unfortunately, national trade tariffs imposed by the U.S. and countered by other nations have hurt agricultural commodities exports in 2018 (Brookings Institute, Export Trade Monitor, 2019).¹⁸ Nevertheless, SVP will seek a closer working relationship with VEDP International Trade and promote this among our localities and corporate citizens.

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Summary

“Without continual growth and progress, such words as improvement, achievement and success have no meaning,” is a quote by Benjamin Franklin and perfectly describes why economic development is so important. Whether it is entropy as defined in physics, or social and demographic transitions as described in economics and sociology, organisms, organizations, or physical substances either grow or die. SVP has a unique opportunity to not only craft a message that sets the Shenandoah Valley apart, but to perform truly meaningful work that can be a legacy for years to come. The proposals in this strategic plan are not revolutionary, but are derived from the region’s history and the future that can be. The emphasis in the proposals are identifying what we consider most important, putting a name on our vision and then creating a plan to equitably execute them to benefit our partners. SVP will return the investment made by all of our contributors and will compete with the best. The region’s future is bright and is an exciting place to live, work and recreate. It is who we are.

Annotations and Notes

¹ Anthony Cilluffo and D'vera Cohn. Pew Research Center, Demographic Trends Shaping the US and the World in 2018, *Millennials are projected to outnumber Baby Boomers next year*, April 25, 2018, cited January 10, 2019, <https://pewrsr.ch/2qZtkKu>.

² Fry, Richard, Social Trends. Millennials are the Largest Generation in the U.S. Labor Force as of 2017, April 11, 2018, cited January 10, 2019, <https://pewrsr.ch/2GTG00o>.

³ U.S. Census Bureau, U.S. Department of Commerce, *Americans Moving at Historically Low Rates*, Census Bureau Reports, November 16, 2016, Release Number CB16-189, cited January 11, 2019, <https://www.census.gov/newsroom/press-releases/2016/cb16-189.html>.

⁴ Sree Ramaswamy, James Manyika, Gary Pinkus, Katy George, Jonathan Law, Tony Gambell, and Andrea Serafino, *Making It in America: Revitalizing Us Manufacturing*, McKinsey & Company, McKinsey Global Institute, November 2017.
<https://www.mckinsey.com/featured-insights/americas/making-it-in-america-revitalizing-us-manufacturing>.

⁵ Virginia Employment Commission, Regional Profile, Central Shenandoah Planning District Commission, 2019
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⁶ Rephann, Terance J., "The Economic Impact of Virginia's Agriculture and Forest Industries", Weldon Cooper Center for Public Service, University of Virginia, 2017.

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