VALUE AG, LLC

Innovating Tomorrow's Agriculture

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About the Feasibility Study Developers

Joe Parcell, PhD is founder and president of Value Ag, LLC. Value Ag, LLC is an economic consultancy group committed to "Innovating Tomorrow's Agriculture." Clientele include MFA Livestock, Missouri Food and Fiber, Specialty Protein Producers, Inc., Osage Catfisheries, Southeast Missouri Value Added Cattle Producers, Missouri Department of Agriculture, Missouri Forest Products Association, Cedar Valley Dairy, USDA, law firms, and various other producer and agricultural focused clientele. Joe, an Iowa native, is an Associate Professor in the Department of Agricultural Economics at the University of Missouri. He was raised on a family-owned hog farm, and he and his wife owned and operated a row-crop farm from 2001 through 2008. Dr. Parcell serves in the role of Director of the Missouri Value Added Center. Joe has provided market opportunity opinions for projects related to beef, pork, renewable fuels (grains and oilseeds), nuts, vegetables, industrial products, paddlefish, and food products. He has extensive knowledge of supply and value chain issues through his research and practical experience with producer agricultural ventures. He received his BA in mathematics from the University of Northern Iowa and MS and PhD from Kansas State University. He is the author of over 50 journal articles and extension publications related to various areas of agriculture. He is the co-author of the sixth edition of "The Agricultural Marketing System," by Rhodes, Dauve, and Parcell.

Chris Boessen, PhD is a Teaching Assistant Professor at the University of Missouri. In addition to teaching finance, marketing and international agribusiness related courses in the Department of Agricultural Economics, he works regularly in University outreach and consulting capacities with farmers and agricultural investors pursuing value added projects. Chris has been involved in agricultural and agribusiness related projects in countries of South America, Africa and South and East Asia. Prior to joining the University, Chris worked in the agribusiness finance field, with positions in corporate finance/management, wholesale agribusiness lending and agricultural equity investing. As a wholesale lender, Chris has worked across the United States with experience in all the major agricultural regions and sectors of agriculture. He also provides pro bono financial analyst/consultant services for the Missouri Agricultural and Small Business Development Authority in the Missouri Department of Agriculture which provides grants and loans to Missouri value added enterprises. In addition to extensive agribusiness experience, Chris has a strong production agriculture background, coming from a family farm in central Missouri. Dr. Boessen's research involves bioenergy and carbon finance, supply chain issues and financial assessment. Chris received his BS, MS, and PhD from the University of Missouri.

Jill Fleischmann, BS began working for Value Ag, LLC in 2007. She received her BS in Agricultural Economics from the University of Missouri. She is currently pursuing her MBA from William Woods University with an Agricultural Business emphasis. A native of California, MO, Jill was raised on her family's beef farm. Jill serves as Project Coordinator and Communications Director.

Chandra Jackson, BS began working for Value Ag, LLC in 2008, serving as a Business and Financial Analyst. Chandra attended the University of Missouri, receiving a BS in Agribusiness Management. Her responsibilities include actively investigating various aspects of national and international markets, collecting project specific data, and creating financial projections based on current fiscal and economic information. Chandra is also working to complete her MS in Agriculture Economics at the University of Missouri.

Jason Franken, PhD is a Missouri native who works as an agribusiness strategist for Value Ag, LLC and is a Post-Doctoral Fellow at the University of Missouri. His research addresses the organization of supply channels for managing risk and adding value. Jason received his BS and MS from the University of Missouri and his PhD from the University of Illinois. Jason remains involved in his family's diversified beef and crop farm in central Missouri.

Alice Roach, BS joined Value Ag, LLC in 2009. As a Value Ag consultant, she specializes in marketing, communications and consumer research. Alice is currently pursuing a MBA at the University of Missouri. In May 2008, Alice earned her BS in Agricultural Journalism from the University of Missouri. She grew up on her family's diversified farm in Harrisonville, MO. She will complete her MBA, from the University of Missouri, in May 2010. Alice previously worked at Nicholson Kovac of Kansas City, where she held a position as a public relations intern.

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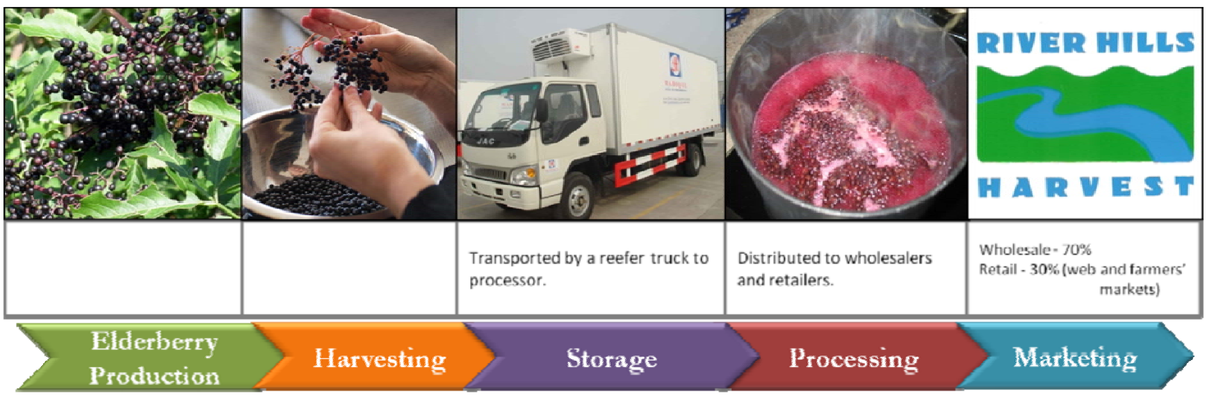
1. Executive Summary and Key Findings

1.1 Executive Summary

River Hills Producers (RHP) Organization seeks to integrate up the value chain to capture a higher percentage of the consumer retail dollars spent on health/functional foods and beverages. The supply chain for elderberries is simple (Exhibit 1.1.1). Furthermore, barriers to entry are little other than the biological lag (three years) from planting to maturity of full production. Thus, it will be critical for RHP to either differentiate their production and quality of production or to become a first mover into the branded niche elderberry juice market. RHP organization is distinctively positioned to produce both a differentiated product and develop a unique brand name.

Exhibit 1.1.1 River Hills Producers Organization Supply Chain Proposition



Source: Google Images

The production stage strategic opportunity lies with domestically producing elderberries. Currently, over 95% of elderberry products sold in the US are imported from Eastern Europe in the form of concentrate. A phone survey of elderberry product brokers found a strong desire for sourcing elderberry juices and co-products that are "grown in the USA." This country-of-origin labeling issue is a huge marketing advantage, which translates into more on-farm dollars for producers.

US consumers are increasingly seeking nutrition and functionality from their food and beverage purchases (Exhibit 1.1.2 and Exhibit 1.1.3). This trend is expected to continue and grow substantially. The elderberry plant is now only beginning to be explored for functional and health attributes. The early research findings support the potential for elderberry juice to be linked to various health claims in the future. Thus, being an early mover on a small scale will provide for future scale-up opportunities.

Exhibit 1.1.2 Nutrition Industry Value Chain

Nutrition Industry Segment	Total Sales ($ Billions)	Raw Material Providers	Manufacturers/ Processors	Branded Distribution Suppliers	Consumer Sales Total
Total Sales	**$93.9**	**$7.6**	**$57.8**		**$93.9**
I. Natural & Organic - Foods - Beverages	**$26.7**	10,000 Organic Farmers 1,500+ Food Material Suppliers/ Processors	**1,200 Companies**	Distributors/ Brokers 250+ Companies	Retail Stores: $77.3 billion -9,339 NFS/HFS/Whole Foods/ Super Naturals -18,300 Other Specialty Retail -101,713 Grocers -40,759 Drugstores -7,495 Mass/Club -146,294 Convenience/ Other
II. Supplements - Vitamins & Minerals - Herbs & Botanicals - Sports Supplements - Liquid Meal Supplements - Specialty Supplements	**$23.7**	300 Suppliers 900+ Growers, Harvesters, Refiners	**740 Companies**		
III. N&OPC - Skin, Hair & HBC	**$9.2**		**850 Companies**		Direct Sales: $16.6 billion -1,100 Direct Marketers -562,340 Integrative Medicine Practitioners
IV. Functional Foods & Beverages	**$34.3**	250 Suppliers	**1,000 Companies**		

Source: Nutrition Business Journal

Exhibit 1.1.3 Beverage Consumption Growth

Beverage Consumption Growth, 2006 to 2007 [All Food Categories]	
Natural and Organic 11.2% [15.7%]	Functional Foods 11.8% [9.4%]
Lesser-Evil Foods 4.5% [4.6%]	Healthy Foods 8.3% [8.3%]

Source: Nutrition Business Journal

The key to the success of RHP will be management and marketing. We see the need for these positions to be held by one person in the beginning. This individual should have strong social and marketing skills. This person should be able to coordinate. We suggest a low, up-front capital investment strategy. Initial production should be toll process, and as production increases, in-house processing should be pursued. We have acted conservatively in our financial projections. We assumed, for all three years of pro-forma projects, toll processing. If in-house processing is developed, then substantial cost savings can be achieved after year two of operations. Elderberries will be frozen, stored in reefer trucks/trailers, processed, and bottled as needed.

Marketing will be through a mixture of self-directed and broker/bulk (Exhibit 1.1.4). Key drivers of retail success will be point-of-sale education, retailer incentives, and labeling. The marketing segment will be discussed in more detail in a companion document, RHP Organization Marketing Study, to this feasibility study.

Exhibit 1.1.4 Projected Elderberry Marketing Mix for River Hills Producers Organization

	Year 1	Year 2	Year 3
Self-Directed Marketing	70%	65%	60%
Bulk/Broker	30%	35%	40%