



CHICKEN BEFORE THE EGG: HOW CENTRAL VIRGINIA POULTRY FARMERS TURNED A CRISIS INTO A COOPERATIVE

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An Unexpected Economic Shock to the Region

In March 2023, Tyson Foods made an announcement that it would be closing its facility in Glen Allen, Virginia, leaving many poultry farmers and their 265 farmer-owned production houses without long-standing production contracts. Broiler (chicken bred for meat production) growers were offered settlement options to close out the agreements, receiving payouts but still facing the challenge of repurposing the poultry houses to sustain their livelihoods. Tyson's unexpected departure had devastating economic impacts on the region which have been estimated as an annual loss of \$358 million dollars, affecting 57 growers and 265 broiler houses.

The closure disrupted a supply chain that included feed mills, grain farmers, propane suppliers, mechanics, and plant workers, among others. According to poultry farmer Roxy Johnson, "The grain farmers are having to take their grain several hours away to sell it and many other aspects of businesses are being affected such as equipment companies and propane companies. The trickle-down effect of losing millions of dollars in the nearby counties is a big deal."

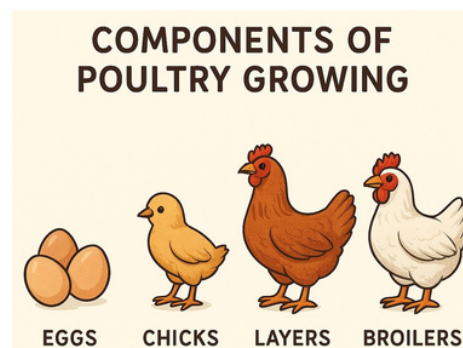
Collaboration and Planning

In a series of meetings in the fall of 2023, a wide array of stakeholders – including Commonwealth Regional Council (CRC), the area's Economic Development District (EDD), farmers, farm creditors, representatives from the Virginia Economic Development Partnership, county administrators for all the counties that CRC represents (Amelia, Buckingham, Charlotte, Cumberland, Lunenburg, Nottoway, and Prince Edward), Extension agents, Virginia Department of Agriculture and Consumer Services (VDACS), and others – discussed the future of poultry farming in the region and whether that involved a new integrator for chicken sales or not. Despite the strong interest, it became clear that finding another chicken processor was unrealistic.

As broiler operations wound down, one grower began discussions with an egg producer in Indiana, sparking a new idea: transitioning from broilers to egg production. Three structural options were considered for the new venture: a cooperative, an LLC, and a corporate model. The cooperative model prevailed due to its equitable approach to investment, member governance, and transparency.



CRC partnered with the Virginia Foundation for Agriculture, Innovation and Rural Sustainability (FAIR), a rural development center, to explore cooperative development and study existing models, including a turkey producer cooperative in the Shenandoah Valley. This laid the groundwork for what would become the Central Virginia Poultry Cooperative whose mission is “[t]o restore and revitalize poultry production in Central Virginia to benefit poultry-dependent farms and communities.”



Funding the Cooperative

CRC identified five grants to support the coop’s development, including three from VDACS and a major \$1.4 million grant from the Virginia Tobacco Region Revitalization Commission. As the region’s EDD, CRC served as the grant applicant and administrator, directing funds to the cooperative. The grants were:

1. Virginia Department of Agriculture and Consumer Services (VDACS) Governor’s Agriculture and Forestry Industries Development Fund (AFID) Planning Grant for \$35,000 to support planning and equipment acquisition. (CRC counties matched another \$35,000)
2. VDACS, AFID Infrastructure Grant for \$50,000 to support agricultural development. (CRC counties matched another \$21,000)
3. VDACS, Rural Rehabilitation Trust for \$341,750 to support agricultural development.
4. Virginia Tobacco Region Revitalization Commission (TRRC) Southern Virginia Program Grant for \$1,400,000 through two grants to help launch the cooperative.

Each county represented by CRC provided matching funds for both Tobacco Region Revitalization Commission grants. Virginia FAIRS assisted with business planning and cooperative development. A steering committee was formed, including representatives from state agencies such as VDACS, the Tobacco Commission, and the Governor’s Office.



Establishing the Cooperative

The Central Virginia Poultry Cooperative was officially formed with the filing of papers with the State Corporation Commission. By February 2024, several grower interest meetings had taken place. Membership agreements were signed, allowing farmers to purchase common and preferred stock based on their production capacity and poultry type (pullets or laying hens). Each coop member holds one share of common stock.

Roxy Johnson, the poultry farmer, reflected on the community's support, noting "We had a lot of support from local people. Everyone realized how much it would affect everyone. It made a big difference having all the various partners engaged. It was clear how much the whole area depended on income from farming."

The first layer farm had shut down in April 2023. By April 2024, hens were back on farms, laying eggs and marking a successful transition from broilers to eggs and a new chapter for Central Virginia's poultry farmers.

Partnership with Dutch Country

The cooperative has a contract with Dutch Country, an organic egg producer in Indiana. Eggs are shipped there for processing, grading, and then shipping around the country. To secure financing and ensure long-term viability, the cooperative negotiated a 13-year contract, including a first right of refusal clause. If Dutch Country opts out, the cooperative can approach other egg buyers nationwide.



The relationship has been strong and collaborative. Kenneth Risser, Interim President of the Central Virginia Poultry Cooperative, explained, "The coop has been responsive to Dutch Country's needs—whether it's brown or white eggs, timing, or volume. It has to be a win-win. We must do things they can make money at."

Overcoming Hurdles: The Transition from Broilers to Cage-Free Egg Production

One of the biggest challenges faced by Central Virginia poultry growers was the capital investment required to convert broiler houses into cage-free facilities for pullets and laying hens. The cost of conversion averaged around \$20–\$25 per bird, while building a new facility could range from \$30–\$50 per bird. For most growers, conversion was the more feasible option.



The transformation involved significant upgrades including replacing dirt floors with concrete, installing cage-free nesting systems, adding egg belts and conveyors for egg collection, equipping packing facilities with coolers to maintain eggs at 45°F, and implementing manure removal and storage systems.

For a farm housing 68,000 birds, a conversion could cost up to \$1.7 million. A considerable financial investment of some \$39 million is necessary to convert 12 farms with 53 houses from broiler production houses to cage-free laying hen houses or to cage-free pullet houses.

Financing the Transition

Securing financing was another major hurdle. Most growers needed bank loans, and lenders required confidence in the cooperative's stability, leadership, and customer base. Fortunately, Farm Credit and local banks stepped up, offering loans or expressing interest in supporting the growers. Former Tyson producers often had to leverage their farms or homes to secure funding, especially for a new, unproven cooperative.

Grant funding played a crucial role in easing the financial burden. The cooperative received support for:

- Purchasing egg flats (used to transport eggs from Virginia to Indiana)
- Covering startup costs, including legal and accounting services
- Supporting production cash flow, thanks to a major grant from the Virginia Tobacco Region Revitalization Commission

Building a Cooperative Community

According to Roxy Johnson, “This is a close group. Since the formation of the coop, we talk and get together. We’re not in competition, we’re in this together. We read, research, and help each other.” The cooperative now includes 50 members, with five layer (full grown female chickens that are kept for laying eggs) houses online operated by two growers, supporting 100,000 laying hens. The cooperative has also expanded into pullet raising, a short-term business where growers raise chicks to 16 weeks for other companies. These growers don’t own the birds but provide their expertise in raising them. Currently, 34 pullet houses are operated by about a dozen growers.

Former Tyson growers continue to be interested in transitioning to egg production. However, the process takes about two years, due to the time needed for financing, equipment quotes, and facility upgrades. Most growers can raise pullets in existing facilities. The cooperative is actively working to engage more producers.

Challenges and Progress

Progress has been slower than anticipated. Avian influenza has significantly impacted the industry, with over 100 million of the 330 million egg-laying hens in the U.S. euthanized due to outbreaks. As a result, it now takes over two years to source baby chicks.

The cooperative raises pullets both for its own layer operations and for other companies. A modern layer house typically holds 68,000 hens, representing a \$400,000 investment before the first egg is laid. Despite the high costs, the egg business is a natural fit for former Tyson growers, leveraging their existing expertise and extending the chicken lifecycle from 6–7 weeks to 90 weeks.

The Role of an EDD in Making a Regional Impact

The Central Virginia Poultry Cooperative is poised to create far-reaching impacts across the poultry sector and the broader local and regional economy. Beyond the direct benefits to growers, the cooperative also strengthens related industries, such as grain and feed suppliers, by sustaining poultry operations in the region.

The Commonwealth Regional Council (CRC) played a pivotal role in helping poultry farmers transition to a producer-owned cooperative. In their most recent CEDS, CRC has a recommendation and action item to “leverage local strengths in agriculture, forestry, and logistics to build value-added industries by promoting the development of value-added agricultural, forestry, and logistics-based industries by supporting agribusiness innovation, processing facilities, and supply chain expansion that capitalize on regional assets and infrastructure.”

This project, which closely aligns with CRC's CEDS, began with CRC convening key stakeholders to determine the best path forward following Tyson's departure. As an Economic Development District, CRC served as a vital intermediary between state and local governments, leveraging its relationships to bring the right people to the table.

CRC also provided essential support in securing and managing grants during the cooperative's development phase. Covering seven counties, CRC is now exploring strategic partnerships with other regional food system initiatives, including a food hub, cannery, and commercial kitchen through VA FoodWorks.

Christin Jackson, CRC's executive director says, "The creation of the Central Virginia Poultry Cooperative is the result of an extraordinary collaboration for which I cannot take credit. This achievement belongs to my predecessor, Melody Foster, CRC Planning Director, Lauren Pugh, the County Administrators, and our dedicated funders, whose efforts safeguarded the livelihoods of local chicken farmers. I am proud to share that the Cooperative is now getting off the ground, and the Commonwealth Regional Council remains fully committed to supporting its continued success in every way possible."

Case Study photos courtesy of Virginia Farm Bureau.

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