



## THURSDAY, OCTOBER 31, 2024 YAKIMA CONVENTION & EVENT CENTER

*The Magic  
Of Rotary*

### BARB PETREA MADD HATTER'S HAUNT



Barb Petrea, co-owner and operator of Madd Hatter's Haunted House and Escape the Maddness, relocated from Redondo, WA to the Yakima Valley 29.5 years ago with her husband, John Petrea, and their newborn son. They moved to fulfill her husband's aspiration of returning home to establish a hardwood flooring business, Natural Accent Flooring.

To meet people Barb actively engaged with others by volunteering, beginning with parent groups in school and later contributing to various non-profits such as the Wellness House, Camp Prime Time, Yakima Chamber, Selah Aquatic Center, Selah Downtown Association, and Selah Community Days. She manages her business alongside her volunteer commitments, believing that working towards a shared goal fosters meaningful connections that she will always cherish.

### ROTARY AUCTION HIGHLIGHTS

#### UNDER THE STARS AT FEATHERLAND RANCH - EXCLUSIVE PRE-SELL ITEM



The Wagner's Featherland Ranch on South Naches Road will be the scene of an outdoor summer extravaganza on September 6, 2025, the likes of which is rarely seen. A team of highly skilled Rotarians are organizing music, food, and decorations for an evening you will be talking about for years to come. The details are to be a surprise, as all aspects of the event are a closely guarded secret, but you will sink into deep depression if you don't manage to obtain one of the 100 tickets which are being sold in pairs only. In other words, you have just 50 chances to get on the guest list.

Donors: Scott & Joy Wagner & Friends of Rotary

50 couples/\$300 per couple



#### NEW YORK, NEW YORK, IT'S A HELLUVA OF A TOWN



Yes, the Park is up (town) and the Battery is down (town), but you and your significant other can find any sort of amusement you want when you travel to the Big Apple—museums, world-class shopping, the Statue of Liberty, Chinatown, Broadway, Central Park, the Brooklyn Bridge, and more are yours to experience. The two of you will have four days and three nights in a lovely hotel in downtown Manhattan, as well as tickets to a Broadway show (depending on availability). Airfare between Seattle and New York is included. Date to be arranged between January and April 2025.

Donors: Greg & Jan Luring

\$5,000

## SPOOKTACULAR HALLOWEEN FUN AT ROTARY

*Dressing up is optional*

*But...you are invited to channel your inner vampire, witch, or superhero and come to Rotary in costume! Get into the spirit of Halloween and have some fang-tastic fun!*



### FOR THURSDAY'S MEETING

Greeters – Mike Maples, Maria Rodriguez

Inspiration – Sy Ruiz

Sergeant-at-Arms – Nancy Leahy

Program – Kelly Gasseling

Attendance – Magaly Solis

### FUTURE PROGRAMS

November 7th – Brad Hansen, Kevin Good & Dan Sullivan, Charitable Giving

November 14th – LTC Chris Herion, Veterans Day Program

November 21st -Adam Beach, Native American Heritage Month

November 28th – Happy Thanksgiving

## REVIEW

A special thank you to those that helped with our meeting this week. Larry Hull and Chris Hutsell served as our greeters. Paul Trotter shared an inspirational message from Psalm 23 that inspires him every day. President Jim traded out four red badges for blue ones for Molly Neal, Sy Ruiz, Melissa Brewer, and Brent Elkins. All of them finished their Rotary Education last week – congratulations! He also recognized Connie Falon who just accepted a position on the Board for Heritage University. By now, everyone should have received their invitation to the Rotary Auction Under the Big Top. This week's highlighted item was a dinner under the stars at Scott & Joy Wagner's Featherland Ranch next September (see details above). Tickets are limited to 50 couples and the only item with the opportunity to buy in advance.

As chair of the Rotary Foundation Committee, Nancy Leahy came to the podium to share the importance of giving to the Rotary Foundation. The charitable arm of Rotary International fund projects based upon seven areas of service: promoting peace; fighting disease; providing clean water, sanitation, and hygiene; education; maternal and child health; growing local economies; and the environment. Since its founding over 100 years ago, they have spent \$4 billion on life-changing and sustainable projects. Giving to The Foundation through the Share Program allows Rotary Districts to receive a portion of the funds donated for club grants within their district. Yakima Rotary has been the recipient of those grants. Our goal for giving is 100% member participation no matter the amount. Those already giving will be recognized with a "race car" that you will see affixed to a poster in the lobby from time to time with the goal to those not enrolled to donate as well. Steve Gustafson followed with a "Price is Right" style sergeant-at-arms to raise funds for Rotary Charities – it was fun!

Jordan Matson introduced James Rothenberger as our program speaker to talk about private equity in agriculture. James is the managing partner for Sugar Tree Capital LLC. With a focus on food and agri-businesses (growers, packers, marketing desks, chemicals, fertilizers, irrigation) they have helped businesses with merger and acquisitions, and finance goals. They represent families and entrepreneurs, many in Central Washington. They don't represent private equity firms - they do end up being buyers and investors for a lot of their clients. By numbers, their average transaction size is \$75 million. Some of the companies they have done business with include Merduri Farms, Kershaw Company, Monson Fruit, Wilson Irrigation, and Earl Brown Family.

One of the questions that he gets asked often is why do private equity firms like agriculture. There are a few different reasons. There is highly fragmented and limited institutional ownership; there are a lot of family run businesses in agriculture, for years and years they operated as such. Private equity capital has been raised and they need to put it somewhere; they like the fragmented investment opportunity. When you have limited institutional ownership in a critical component of the U.S. economy (we all need to eat) - that is interesting to them. There are inflation hedges with land and real estate components, asset-heavy, and asset-like components of the market with different investors (chemicals, fertilizers, irrigation). Other reasons include recurring service offerings; it is a very technical industry with science and business; and succession planning

issues. What has resulted is \$18 billion of capital raised in the last 2 years to be invested over the next 5 years in the U.S. for agribusiness. In the last 3 years, there was a big group in 2022 where a lot of capital was raised, a gap for about a year, and another big group in the last year. With all the capital raised there is consistent acquisition volume. Every year there are a number of deals getting done. There is capital that needs to go to work. It's been raised, they aren't going to return it to investors – they are going to invest it. In the last 12 months there has been a little bit of a slowdown due to a number of crop types experiencing challenging environments.

With a snapshot of Washington tree fruit and companies in Central Washington, pretty much every marketing desk has transacted in a minority or majority with a private equity firm. There's been a number of ecosystems within marketing desks that have transacted over the last few years as well. The same chart in 2017-18 would show one or two companies; in the current chart there have been 20 or 25 transactions over the last 8 years, a rapid pace he doesn't expect to continue. He does expect continued consolidation of marketing desks and their grower packer network. There is going to be a bit more competition for independent grower packers to join up. The first movers tend to get the highest valuation, later movers tend to get lower valuations.

Why do these transactions happen? There are substantial increased costs to grow, pack, process, and ship paired with a consumer that doesn't want to pay more at retail. Families have to keep writing substantial checks to automate packing facility and orchards, to improve the logistics of their operations, and expand H2A housing. There are struggles to transition from the second to third generations. Families want to retire; they want to de-risk and get off the personal guarantee. There is appeal in not having to write the next \$10 million check and to capitalize the business in a way that is sustainable. Those are the situations where James gets pulled into. They are all things that private equity can help with. There are challenges; challenges tend to make their way around faster than successes. Common critiques about private equity include:

- We are propping up assets that should fail.
- They don't know how to do what we do. Of course they don't. Most private equity firms are operated with 8 to 10 people with 7 to 10 investments they are managing – they don't want to come in and operate the business. They are trusting the team already in place; they can be helpful in making some decisions a little bit easier and less capital constrained. They can also be annoying with quarterly board meetings, reporting requirements, and looking at data.
- Everyone will be laid off. Again, these firms are run with 8 to 10 people. The businesses they work with employ 100's of people.

We ended with questions and answers that included how the process starts, has it been a positive experience for agribusiness in Central Washington, do marketing desks favor independent versus private equity, valuations, options to family businesses beyond private equity, and private equity firms' engagement in their local communities.

SAVE THE DATE NOVEMBER 16, 2024



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