

RESOLUTION NO. 2022- 304

A RESOLUTION APPROVING VINELAND REVOLVING LOAN FUNDS FOR MAESTRI D'ITALIA, INC. AND/OR REAL ESTATE HOLDING COMPANY TO BE FORMED (OR ASSIGNS).

WHEREAS, the Vineland Revolving Loan Fund, LLC Committee has submitted a proposal dated June 28, 2022, for use of Vineland Revolving Loan funds for Maestri d'Italia, Inc. and/or real estate holding company to be formed (or assigns); and

WHEREAS, it is considered to be in the best interest of the City of Vineland and the community in particular that Vineland Revolving Loan Funds be utilized for the above-mentioned project; now, therefore,

BE IT RESOLVED by the City Council of the City of Vineland that said Council does hereby approve the use of Vineland Revolving Loan Funds for the following project, in accordance with the proposal submitted by the Vineland Revolving Loan Fund, LLC Committee:

To: Maestri d'Italia, Inc. and/or not to exceed \$3,000,000.00  
real estate company to be formed (or assigns)

BE IT FURTHER RESOLVED that the Mayor is hereby authorized to execute all documents associated with this loan.

Adopted:

\_\_\_\_\_  
President of Council

ATTEST:

\_\_\_\_\_  
City Clerk



ECONOMIC DEVELOPMENT  
www.vinelandcity.org

640 E. Wood Street  
PO Box 1508  
Vineland, NJ 08362-1508  
Phone: (856) 794-4100  
Fax: (856) 405-0467



MEMORANDUM

TO: City Council President and Members

FROM: Vineland Revolving Loan Fund, LLC

SUBJECT: **Applicant:** Maestri d'Italia, Inc. and/or real estate holding company to be formed.  
**Loan Amount:** \$3,000,000.00

DATE: June 28, 2022

Dear Council President Arthur, Councilmen Acosta, Franceschini, Spinelli, and Vargas:

On behalf of the Vineland Revolving Loan Fund Committee, please accept this letter recommending a commitment be given to the above applicant for a Vineland Revolving Loan Fund, LLC loan in the amount as stated herein above.

Please note that the committee finds that the purpose of the loan meets the criteria set forth in the Statute made and provided governing Urban Enterprise Zones. The Committee further finds that the loan will promote economic development, creation/retention of jobs, and/or tax ratable(s) that will benefit the City of Vineland.

Further, please note that the loan would be properly protected in that the pledged collateral has a net value which equals or exceeds the amount of the requested funding.

Respectfully submitted,

Sandra Forosisky  
Director of Economic Development

SF/fd

cc: Frank DiGiorgio  
file



**VINELAND REVOLVING LOAN FUND, LLC  
LOAN PROPOSAL**

**Date:** May 16, 2022

**Borrower Name and Address (s):** Maestri d'Italia Inc. and/or real estate company to be formed  
480 Oberlin Ave. S.  
Lakewood, NJ 08701

**Request:** \$3,000,000 commercial real estate loan for the acquisition of +-12 acres of industrial zoned land - permanent financing of a +-50,000 sq. ft. (phase 1) food processing facility.

**Interest Rate:** 4.50%

**Term of Loan:** 10 Years

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**1. BACKGROUND:** Maestri d'Italia Inc. ("Maestri" and the "Company"), imports the finest quality meats from Italy, Spain, France, and Germany, specializing in slicing and packaging a selection of authentic European deli meats for the United States ("U.S.") market. In 2014, Maestri began business operations in the U.S. with a dream to offer American consumers the best selection of authentic European deli meats. Maestri imports these deli meat specialties directly from their regions of origin to the U.S. and slices them freshly and with care in their facility located in Lakewood, NJ. The products include – (Italy) Prosciutto, Salame, Speck, Coppa, Mortadella, Spianata, (Spain) Jamon Serrano and Jamon Iberico, (France) Jambon, (Germany) Black Forest Ham. Maestri imports these products from overseas and thereafter slices and packages the product for distribution in the United States.

**1a. INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK / COMPETITION:** Technavio is a leading global technology research and advisory company. Their research and analysis focuses on emerging market trends and provides actionable insights to help businesses identify market opportunities and develop effective strategies to optimize their market positions.

Technavio has been monitoring the deli meat market and believes it is poised to grow by USD \$86.89 billion during 2021-2025, progressing at a Compounded Annual Growth Rate ("CAGR") of about 8% during the forecast period. Factors such as the growth in organized retail, the increase in product launches, and the rise in demand for packaged meat are the major drivers in the market. The market is projected to accelerate at a CAGR of about 8%. Boars Head Brand, BRF SA, Cargill Inc., Conagra Brands Inc., Hormel Foods Corp., JBS SA, Maple Leaf Foods Inc., Sigma Alimentos SA de CV, The Kraft Heinz Co., Tyson Foods Inc. are the top players in the market. The market is driven by the increase in product launches. However, the increase in product recalls will hamper the market growth. 35% of the market's growth will originate from North America during the forecast period. The market is fragmented, and the degree of fragmentation will accelerate during the next several years. Boars Head Brand, BRF SA, Cargill Inc., Conagra Brands Inc., Hormel Foods Corp., JBS SA, Maple Leaf Foods Inc., Sigma Alimentos SA de CV, The Kraft Heinz Co., and Tyson Foods Inc. are some of the major market participants. Although the growth in organized retail will offer immense growth opportunities, the increase in product recalls is likely to pose a challenge for the market vendors. In a bid to help players strengthen their market foothold.



## **1a. INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK / COMPETITION (CONTINUED):**

### **Seven Top Deli Meat Trends according to Deli Meats** : (December 1, 2020) by Carol M. Bareuther - Deli Business / Deli Meats

Deli meats, such as dry-cured pork and smoked sausages, have enjoyed a place at the table since Roman times. In fact, according to stone tablets displayed in the Museo Civico Archeologico in Bologna, Italy, mortadella fueled the Roman army.

Today, across the pond, deli meats are a staple in supermarket delis throughout the U.S. In fact, deli meats represented 21% of total department dollar sales for the period from March 8 to Nov. 6, 2020, according to Chicago, IL-based IRI Total U.S. multioutlet data. What's more, dollar sales during this time were up 11.5%, second only to deli cheese, and ahead of deli prepared foods.

"The two areas of transformation in the deli over the next three years will be in deli meats and cheeses and prepared foods," says Chris DuBois, senior vice president of Protein Practice for IRI. "For deli meats, the category has grown steadily 1% to 3% annually, with packaged lunch meats especially taking off recently with increased retail versus foodservice purchases due to COVID. Looking ahead, there will be new buyers coming in, and deli operators who can take advantage of this and market to these buyers as quickly as possible will have the best success. Key to this is having a plan that can be constantly adjusted and updated."

Here are the top trends expected to drive the deli meat category.

#### **1. HOME COOKING IS THE NEW NORMAL**

The importance of the deli meat category continues to rise as the stay-at-home economy has resulted in a significant uptick in meals prepared at home, according to Terence Martin, vice president of retail sales for D'Artagnan, LLC, in Union, NJ. "As our retail partners have seen declines in their prepared food departments, deli meats have served as a critical category for both lunch and dinner occasions."

More than half (54%) of Americans surveyed said they were cooking more at home, according to results of a poll released in April 2020 by New York-based Hunter Public Relations. Of these, over half (51%) said they will continue to cook more often even when the COVID-19 pandemic ends.

"Since only one-quarter of American school-aged children are being taught fully in person as of the end of September 2020 and many families are not taking advantage of free meal programs, buying habits have shifted towards more lunch and snack options, says Hilary Gerard, retail beef brand manager for the Wichita, KS-based protein division of Minneapolis-headquartered Cargill Inc. "We partnered with *Buzzfeed* during the midst of the pandemic to develop a series of videos showcasing the versatility of our Castle Wood Reserve deli meats. It was important for us to show them how our product could be used across a variety of different meal types and dayparts."

#### **2. PREMIUMIZATION HITS A HIGH-END NOTE**

The closures and curtailments in the restaurant arena in the wake of the COVID-19 pandemic has consumers craving the flavors of more upscale dining experiences.

"We saw this in the summer when retailers, including those that hadn't stocked our product before, told us they needed to order some of authentic imported German brats and salamis," says Claas Abraham, CEO and president of Abraham of North American, in Towaco, NJ. "Consumers want to trade up to a higher quality when eating at home."

Italian-style dry-cured meats have grown robustly in recent years and continue to do so, according to Simone Bocchini, president of Fratelli Beretta USA, Inc., in Mount Olive, NJ. "This highlights the need for retailers to study and correctly evaluate the assortment of products they carry in the deli and assure they give the necessary space to items that are growing right now due to demand and interest from the consumer."

## **1a. INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK / COMPETITION (CONTINUED):**

### **3. HEALTH DRIVES NEW PRODUCT DEVELOPMENT**

Over three-fourths (85%) of Americans have changed the way they eat and/or prepare foods due to the COVID-19 pandemic, according to the Washington, D.C.-headquartered International Food Information Council's (IFIC) 2020 *Food & Health Survey*, released in April. Concurrently, over half (54%) of consumers say healthful food choices matter more than a decade ago.

The plant-based food trend is poised to continue, according to the October-released top 10 anticipated foods trends for 2021, by retailer Whole Foods Market, a 500-plus store chain headquartered in Austin, TX.

"A new item that is in its final stages of development is a vegetarian salami. Our research and development team has been rigorously working to develop a product that is still true to our tradition and quality and delivers amazing taste," says Cibao's Horta.

### **4. THE NEED FOR SPEED POPULARIZES PRE-SLICED**

The COVID-19 pandemic has created an interesting dynamic in the deli department that will continue, says Fratelli Beretta's Bocchini. That is, "pre-packaged meats have seen great growth compared to traditional behind the glass items. This is due to convenience and long shelf life, which allows for faster shopping trips with minimal interaction."

Pre-sliced deli meats represented 9.8% of category dollar sales, up 25.5% since March, according to IRI data. Similarly, grab-and-go deli meats tallied 25.1% of dollars, up 61.1%, while service deli meat rounded out the category at 65% of sales, down 1.8%.

"Pre-slice is exploding in the U.S., whether it's for domestic or imported deli meats," says Carrie Blakeman, managing director of the Rogers Collection, in Yarmouth, ME. "For example, Iberico chorizo and serrano, meats that have traditionally been sliced to order are all now available in pre-sliced thanks to packaging technology that maintains safety, quality and flavor. One way to maintain that Old World feel in merchandising is to display a nostalgic or black-and-white photo or poster of a deli attendant with a product at the slicer in the back of the case with the pre-sliced product in front."

In June of this year, St. Louis-headquartered Volpi Foods transitioned its entire line of pre-sliced products to a more environmentally friendly 70% less plastic package. The extensive line includes sliced bresaola, capicola, mortadella, salami and sopressa.

In addition, moving sliced-to-order deli meats to a grab-and-go setting it's important for grocers to put the bulk of their focus on their highest velocity products.

"You want your grab-and-go products to turn quickly, customers don't want products that have been in the case for more than a day", "So you want your quickest, most appealing varieties in the grab-and-go case."

### **5. THERE'S NO SLOW-DOWN ON SNACKING**

Over one-quarter (26%) of U.S. consumers snack multiple times daily, with more than one-third (38%) replacing meals like lunch with snacks at least occasionally, according to the IFIC 2020 *Food & Health Survey*.

"While a lot of snacking brands and product lines are merchandised in the packaged lunchmeat section of retail, we have also seen that snacking solutions in the full-service deli can service a different consumer and motivate purchase," says Cargill's Gerard. That said, "while we saw retailers shift focus away from protein adult snacking solutions last spring during the nationwide stay-at-home orders, we have seen snacking numbers increase through the summer and into early fall. We see an opportunity to continue to bring innovations and offerings to consumers in this space."

## **1a. INDUSTRY AND MARKET ANALYSIS / INDUSTRY OUTLOOK / COMPETITION (CONTINUED):**

To target this customer, Volpi Foods recently launched a new line of single-serve products named Small Bites, says Deanna Depke, marketing manager. “This is just in time for those socially distant, smaller holiday gatherings everyone will be having this year. Each pack features 1.5-ounces of our thinly sliced charcuterie items like Prosciutto, Coppa, Soppresata and Spicy Soppresata that allow consumers to explore new charcuterie varieties without breaking the bank.”

### **6. Ready To Eat (RTE) & Do it Yourself (DIY) = CHARCUTERIE 2.0**

The foodservice menu penetration of charcuterie grew from 0.7% in 2009 to 3.4% in 2019, according to the IDDBA’s *What’s In Store 2020*. Now, this segment is taking a bite into the retail deli’s footprint in two ways: ready to eat products and meal kit-style do-it-yourself options consumers can prepare at home.

“Charcuterie will continue its growth as it remains on trend for high quality, flavorful, convenient meal solutions suitable for snacking, sandwiches and easy at-home entertaining,” says Al Adelson, vice president of sales for Veroni USA, in Swedesboro, NJ. For example, “we recently launched our innovative Veroni Aperitivo (Aperitivo Time) trays. Each has five components with tasty combinations of salame, prosciutto, almonds, cheese and dried fruit, that can serve two or three people.”

Similarly, Fratelli Beretta has introduced its new four-items line of La Dolce Vita Entertainment Trays. Two assortments of these 12-ounce trays are the Artisan Charcuterie Tray: Soppresata, Hot Soppresata, Black Pitted Olives, Artisanal Flatbread, Provolone Cubed Cheese, Pepperjack Cubed Cheese; and Roll & Go Platter: Prosciutto & Mozzarella, Soppresata & Mozzarella, Milano & Mozzarella, Roasted Almond, Mixed Pitted Green Olives, Breadsticks.

Deli operators can take a page out of the popularity of meal kits to create ready-to-assemble charcuterie platter kits. Younger generations are attracted to charcuterie.

“This is a great opportunity for delis to create signature, seasonal, customized charcuterie kits that contain right-sized amounts of meats, cheeses, jams and other items that pair well and that customers can assemble themselves at home,” says the Rogers Collections’ Blakeman.

### **7. RETAIL & E-TAIL ARE THE FUTURE**

Customers haven’t abandoned in-store buying in the era of COVID. However, online shopping is picking up and sticking as a grocery-stocking behavior. In fact, food and beverage e-commerce revenues at retail tallied over \$15 billion in 2020, and are projected to surpass the \$20 billion mark in the next three years, according to the 2020-released report, *U.S. Online Grocery Retail*, by Hamburg, Germany-headquartered market research firm, Statista, with U.S. offices in New York.

In-store, “dedicate more space to grab-and-go and high-quality pre-sliced meats. Broaden the range of products to include more charcuterie, regional, seasonal and good-for-you offerings. Focus on the grab-and-go display. Signage, dividers, product descriptors, branded packaging, etc. Like the bulk deli case, it’s important to create a destination and make a statement. Since there is no personal interaction, the customer must have the information they need to make their purchase decisions. This same mindset is important for delivering content to the growing number of online shoppers,” says Veroni USA’s Adelson.

Businesses that have or are creating a strong online order presence for their products, says Nelson Gaydos, outreach specialist for the Elizabethtown, PA-based American Association of Meat Processors, “are thriving.” The prevalence of online shopping is now making it even more important for brands, manufacturers and retailers to ensure they have strong online content, says Cargill’s Gerard. “The digital shelf is different and more dynamic than the traditional retail shelf. Going forward, as more and more consumers shift to either order online/pick-up in-store or delivery methods for grocery shopping, it will be imperative that retail deli products are properly represented and showcased to help capture these digitally-savvy consumers.”

**1b. PROJECT:**

**Uses of Funds**

Acquisition of land	\$ 616,200
Hard Costs (real estate)	10,000,000
Soft Costs	250,000
Equipment	5,000,000
<u>Settlement</u>	<u>50,000</u>
Total	\$15,916,200

**Sources of Funds (Permanent)**

Primary Bank (real estate)	\$ 6,000,000
VRLF (real estate)	3,000,000
<u>Borrower</u>	<u>6,916,200</u>
Total	\$15,916,200

Borrower contribution reflects company's ownership (shareholders etc.) willingness to infuse funds directly into the holding company to be formed and operating company, Maestri d'Italia's equipment purchases, for the new facility/project. Company has expressed aversion to taking on too much debt.

**2. COLLATERAL:**

- a.) Second position mortgage lien on the real estate located at 1674 W. Garden Road, Vineland, Cumberland County, NJ a/k/a Block 604, Lot 30.01,
- b.) Assignment of Rents and Leases,
- c.) UCC-1 filing and Security Agreement (State of NJ and Cumberland County Filing) on Real Estate Holding Company to be formed,
- d.) UCC-1 filing and Security Agreement (State of NJ ) on guarantor, Maestri d'Italia, Inc.,
- e.) Subordination of shareholder loans/debt,
- f.) Any financial covenants and restrictions required by primary lender will be followed by VRLF.

**3. GUARANTORS:**

- a.) Maestri d'Italia.

**4. LIEN POSITION:** Second.

**5. DOLLAR AMOUNT AND HOLDER OF PRIOR LIENS:** Primary Bank will have a 1<sup>st</sup> on real estate, permanent, of \$6,000,000. Primary Bank will also file UCC liens accordingly.

**6. SIZE OF PARCEL:** +-12.323 acres.

**7. IMPROVEMENTS THEREON:** First phase will consist of a +-50,000 sq. ft. facility, manufacturing and warehouse.

**8. LOCATION OF PROPERTY:** 1674 W. Garden Road, Vineland, Cumberland County, NJ a/k/a Block 604, Lot 30.01.

**9. APPRAISAL INFORMATION:** A 90% LTV demonstrated by an appraisal will be required.

**10. FINANCIAL:**

**11. SUBSTANTIATION:** LTV = 90% or better, DSCR = 2.98x

- New manufacturing company locates to Vineland.
- Industrial real estate tax ratable for the City of Vineland.
- Job Creation (25-30 new full time jobs in Phase 1).
- Sale of City owned industrial land.

**12. RECOMMENDATION:**