



Value-Added Producer Grant (VAPG) Program

Grants to plan & implement value-added projects to increase the customer base and revenue of commodity producers

Farmers, ranchers, foresters & fishermen may receive USDA Rural Development matching grants for either **planning** or **working capital** purposes to implement value-added ventures – i.e., for marketing or processing projects that will add value to the commodities they produce or for on-farm renewable energy generation projects. The goal of the program is to generate new products, expand market opportunities, and increase the producer's share of revenue from the commodities they produce.

Funds available

In 2009, **about \$18 million will be awarded** in a nationwide competition. A similar amount was awarded in 2008.

- **10%** of these funds are reserved for “Beginning” (<10 years in operation) or “Socially Disadvantaged” (minority or women) farmers & ranchers (see Eligible Applicants section below).
- **10%** of these funds are reserved for “Mid-Tier Value Chain” projects (see Eligible Projects section below).

In 2008, 10 of Oregon's 13 eligible applicants received a total of \$ 1,038,562. In 2007, 14 of 15 Oregon applicants received a total of \$1,677,499. In 2006, 11 of 12 eligible Oregon applicants received a total of \$1,253,612.

Recent examples of Oregon VAPG projects include conducting anaerobic digester feasibility studies assessments, marketing hormone-free milk, producing hard apple cider, and making cherry confections.

Authorized purposes

VAPG grants may be used for either Planning or Working Capital activities (but not both).

Planning grant – **\$100,000 maximum per project** (no minimum)

Eligible uses – feasibility analysis & market study; business plan; marketing plan (identification of market window, potential buyers, distribution system, & promotional campaigns); legal evaluations

Working Capital grant – **\$300,000 maximum per project** (no minimum)

Eligible uses – working capital needs – e.g., purchase of inventory, office equipment & supplies; pay salaries, utilities, & office rent; legal & accounting costs; conduct marketing campaign; branding & packaging materials.

Working Capital applicants must have both a detailed business plan & an independent feasibility study on their project.

Eligible applicants

1. Independent Producers (either individuals or business entities) – **farmers, ranchers, foresters, & fishermen** who will produce a majority of the commodities to which value will be added & who will retain ownership of the commodities throughout the value-added process. (An informal group of independent producers – a “*steering committee*” – may also apply under this category. If selected for funding, the steering committee must form a legal, business entity structure before the award can be made.)
 - “Beginning Farmers or Ranchers” are Independent Producers who have been farming for less than 10 years. They share exclusive access to 10% of VAPG funds with Socially Disadvantaged Farmers or Ranchers.
 - “Socially Disadvantaged Farmers or Ranchers” are Independent Producers where the primary person is either a minority or women. They share exclusive access to 10% of VAPG funds with Beginning Farmers or Ranchers.
2. Agricultural Producer Groups – representing & controlled by Independent Producers
3. Farmer or Rancher Cooperatives – consisting exclusively of Independent Producers
4. Majority-Controlled Producer-Based Business Ventures – legal business entity that is majority-owned and controlled by Independent Producers. (Note: Such applicants cumulatively may not receive more than 10% of VAPG funds.)

Eligible projects

A “value-added” activity must increase the value realized by a producer for their agricultural commodity by **increasing value of the commodity AND expanding the market** for the commodity – due to any of 5 activities:

1. Commodity processing – processing that changes the commodity's physical state (e.g., wheat flour, fruit jam, diced tomatoes, biodiesel, ethanol, fish fillets, wool rugs)

2. Nonstandard production method – producing a commodity in a manner that is different from “normal” thereby creating a market identity that increases value (e.g., organic; free-range; natural-fed). This does not include branded products or nonstandard-packaged products. *Proposals in this category are only eligible for Working Capital grants.*
3. Commodity segregation – physically separating the commodity from other similar commodities during both production & marketing (more than simple sorting by grade). Includes traceability & identity-preserved systems (e.g., GMO-free commodities; varietal purity).
4. Renewable energy – *on-farm* production of renewable energy either through the conversion of agricultural commodities or their byproducts into energy (e.g., biomass, anaerobic digesters). *Wind, solar, geothermal, & hydro projects are only eligible when the energy generated will be used to produce a value-added product.*
5. Locally-produced – produced & marketed either within 400 miles or within the same state (e.g., locally-grown food)

“Mid-Tier Value Chain” (MTVC) projects –These are projects which involve a “local or regional supply network” of producers & food businesses that connects producers with consumers by marketing an eligible value-added product. The applicant must still be one of the 4 eligible applicant types described previously, but a MTVC project involves a Network in which the applicant is involved with other entities that are not VAPG-eligible applicants. The Network must primarily assist family farms with average annual revenues under \$700,000. The Network must include at least one Ag Producer Group, Coop, or Business Venture (as described in the Eligible Applicant section) that is involved in the marketing strategy. As with all VAPG projects, the applicant must supply at least 50% of the raw commodity to which value is added through the project. 10% of VAPG grant funds are reserved for such projects.

Grant limitations

Timeline. The VAPG project cannot start before the grant award is closed and must be completed within 3 years, between June 1, 2010 and February 28, 2013. Note: Recurring annual activities after the first cycle cannot be included.

“Emerging market” requirement. Working capital projects must involve either a value-added product or a market outlet that *the applicant* has not traditionally supplied – i.e., not for more than 2 years. (Note: Independent Producer applicants are exempt from this requirement.)

Location: VAPG projects do *not* need to be located in a “rural” area.

Ineligible purposes. VAPG funds may *not* be used for:

- Agricultural production, harvesting, or commodity transportation
- Research & development (the specific value-added product must already be known & have a high probability of success)
- Land, real estate facility planning, design, engineering, acquisition, repair, improvement, or construction
- Purchase or rent machinery & equipment (other than office & computer equipment); vehicles or boats
- Payments to any firm not at least 51% owned by US citizens or permanent residents
- Payments to owners or family members (salaries, dividends, etc.)
- Grant application costs; lobbying
- Only one VAPG grant per applicant may be awarded in a fiscal year.
- A given value-added project is restricted to not more than one Planning Grant plus one Working Capital Grant.

Matching funds. 50% or more of project costs must come from other sources. No larger match is required, but if proposed in the application, it is enforced. “In-kind” matching is allowed but subjected to extensive verification.

Reimbursement: VAPG funds are disbursed on a pro rata basis only after the grantee first contributes the match. Furthermore, VAPG funds are disbursed on a reimbursement basis only.

Application deadline

Grants are awarded annually via a national competition. USDA only accepts applications during certain periods. The application postmark deadline for 2009 VAPG proposals is **November 30.**

GET STARTED NOW!

1. Establishing your eligibility is critical to success with this program. **AM I ELIGIBLE?** Use on-line “Eligibility Self-Assessment Tool”: www.rurdev.usda.gov/rbs/coops/vapgea.htm Call us if you are unsure of your eligibility.
2. If you are going to apply for a Working Capital grant, write a business plan for your project now & arrange for a feasibility study from an *independent* consultant. Call us if you are unsure about this requirement.
3. Contact us (see below). This way you will be e-mailed notice of key dates & developments.
4. Apply for the VAPG grant after the request for applications is published. Contact USDA-Oregon to obtain an easy-to-use application template. Time permitting, we are willing to review draft applications and offer suggestions.

Priority Point System

VAPG grants are awarded competitively based on criteria announced each year. Here are **FY2009's criteria**:

Points	Planning Proposals	Working Capital Proposals
0-8	Nature of venture / overall merit of the project	Business viability
0-8	Qualifications of those doing work	Customer base & increased returns
0-5	Commitments & support	
0-8	Project leadership (owners, not consultants)	Qualifications of the management team & work force
0-8	Work plan & budget	Work plan & budget
0/2	Request is for ≤ \$50,000	Request is for ≤ \$150,000
0-3	Project cost/owner-producer	
0-10	Business management capabilities	
0-15	Sustainability & economic impact	
0/15	Family Farm with < \$700,000 gross revenue/year <u>or</u> Beginning Farmer <u>or</u> Socially Disadvantaged Farmer	
0-5	USDA Administrator discretionary points (renewable energy; underserved areas; geographic distribution)	

Shaded points are awarded by independent review committees.

Helpful VAPG links:

Additional VAPG information is on-line at: <http://vapg.ruraloregon.biz>

For more information, for an easy-to-use application template, or to get on our VAPG notification list:

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