



Committed to the future of rural communities.

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## RURAL BUSINESS-COOPERATIVE PROGRAMS

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### VALUE-ADDED PRODUCER GRANT (VAPG) PROGRAM

*Philosophy of the program is to help producers (farmers) expand their customer base for the products or commodities that they produce. This results in a greater portion of the revenues derived from the value-added activity being made available to the producer of the product.*

#### Program Highlights:

- \$240 million total, as authorized in the 2002 Farm Bill, to be used over 6 years via annual Notice of Solicitation Announcements.
- Maximum grant amounts are \$300,000 for working capital and \$100,000 for planning. Smaller grant requests receive priority points. Priority also given to biomass and innovative technology projects.
- Minimum required match: One dollar in non-federal funds for each dollar of grant funds (In-kind contributions are allowed).

#### Eligibility:

- Producer eligibility categories (Producers must fall within one of these four categories):
  - 1) Independent Producers:
    - a) Individual producers.
    - b) Associations of producers such as a producer owned corporation, LLC, or LLP.
      - i) 100 percent producer owned and controlled.
      - ii) No non-producer voting owners.
    - c) Steering committee of ag producers in process of forming an association.
  - 2) Farmer or Rancher Cooperatives:
    - a) Cooperative recognized in good standing under state law.
    - b) Must propose ventures that are entering an emerging market.

#### 3) Agriculture Producer Group:

- a) Any organization that represents independent producers such as a producer trade association or a state or national commodity group.
- b) Must propose ventures that are entering an emerging market.
- c) Must have a specific group of producers identified which they will assist.

#### 4) Majority-Controlled Producer Based Business Ventures:

- a) Business structures where producers have 51 percent or greater ownership and control of the entity.
- b) Grants awarded in this category cannot exceed 10 percent of the amount of funds awarded each year.
- c) Must propose ventures that are entering an emerging market.

Emerging market: A new or developing market for the applicant. That is, a market the applicant has not traditionally supplied. The venture must be focused on this new or developing market. Applicants other than independent producers applying for working capital must document their venture has not been in operation more than two years.

#### Value-Added Activities Eligibility:

Four distinct activities are considered value-added. (Producer's activities must fall within one of these four activities).

- 1) A change in the physical state or form of the product (such as milling wheat into flour).
- 2) The production or marketing of a product in a manner that enhances its value, as demonstrated through a business plan (such as organic production).
- 3) The physical segregation of an agricultural commodity or product in a manner that results in the enhancement of the value of that commodity or product (such as an identity preserved marketing system).
- 4) The term value-added also includes using any agriculture product or commodity to produce renewable energy on a farm or ranch (Example: collecting and converting methane from animal waste to energy).

All value-added activities must result in both:

- 1) An expansion of the customer base for the product or the commodity.
- 2) A greater portion of the revenue derived from the marketing, processing, or physical segregation that is available to the producer of the commodity or product.

#### Eligible Purposes:

- Planning: A defined program of economic activities to determine the viability of a potential value-added venture including feasibility studies, marketing plans, business plans, and legal evaluations.

- Working Capital: Funds which are used to operate the venture and pay the normal expenses associated with the operation of that venture. Funds cannot be used to purchase or build facilities or purchase or install equipment, including processing equipment.
- Must have a third-party feasibility study and business plan completed on venture prior to applying for working capital.

#### **Ineligible Purposes:**

- Plan, repair, rehabilitate, acquire, or construct a building or facility (including processing facilities).
- Purchase, rent, or install fixed equipment including mobile and other processing equipment.
- Pay for the preparation of the grant application.
- Pay expenses not directly related to the funded venture.
- Fund political or lobbying activities.
- Pay costs incurred prior to receiving this grant.
- Fund any activities prohibited by 7 CFR parts 3015 and 3019.
- Fund architectural or engineering design work for a specific physical facility (that area often part of the project feasibility study).
- Grant and matching funds cannot be used to pay any expenses related to the production of any commodity or product.

#### **For More Information**

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U.S. Department of Agriculture  
Rural Development - Rural Business-Cooperative Programs  
Revised (February 2008)