



Value-Added Producer Grant (VAPG) Program

Why 2011 is the best year yet* to apply

*especially if you are seeking a working capital grant of **less than \$50,000**

Did you know...?

USDA Rural Development's **Value-Added Producer Grant (VAPG) program** can provide matching **grants** up to \$300,000 for **working capital** in support of value-added ventures undertaken by agricultural producers... **and**

In 2011, USDA Rural Development (RD) is going to award **nearly \$37 million** in VAPG grants. That's nearly **twice** as much as RD has ever awarded before in a single year.... **and**

In 2011, RD has just expanded the VAPG program's eligibility criteria and **considerably simplified** the application process – especially if you seek a VAPG working capital **grant of \$49,999 or less**.

You are a good candidate for a VAPG Working Capital grant, IF you meet all 8 criteria:

1. You are an agricultural producer (by which we mean a farmer, rancher, fisher, forester, or harvester).
2. You are directly engaged in your agricultural operation (i.e., not merely an absentee owner) (and if your business is organized as an entity – such as a corporation – every single one of the co-owners of your entity is likewise directly engaged in the operation)
3. You are already doing some kind of value-adding, post-harvest activity (i.e., marketing or processing) to the agricultural commodity you produce
4. The value-added methodology you will use will be 1 of the 5 eligible under VAPG. The 5 eligible VAPG methods are:
 - (1) **Changing the physical state** of your farm commodity (i.e., processing);
 - (2) Marketing your farm commodity based on it having been **produced in a manner that enhances value** (e.g., organic);
 - (3) Marketing your farm commodity based on it being **locally-produced** agricultural food product (By “local” we mean, the distance from your farm to the consumer is within the state of Oregon or within a 400-mile radius of your farm.)
 - (4) Marketing your farm commodity based on it having been **produced in a manner that kept it physically segregated** from other potentially contaminating farm commodities (e.g., GMO-free); or
 - (5) Converting your farm commodity into **renewable energy for your farm's own use** (e.g., you use your oilseed crop to make biodiesel for your tractor).
5. The **majority** of the agricultural commodity you will be adding value to in this way **is what you produce yourself** and not what you buy from other agricultural producers
6. Your value-added practice will **both** (1) increase the number of your customers **and** (2) increase your total sales compared what would happen if you weren't using the value-added practice
7. You can **prove it** (i.e., provide documentation that your value-added activity will increase both your customer base and total sales). Here's the level of proof you are required to give:
 - (a) **When you are asking for a VAPG grant of less than \$50,000**, you must simply provide clear and **persuasive evidence** that your value-adding project really satisfies criteria #6 in full;
 - (b) **When you are asking for a VAPG grant of \$50,000 or more and you have been doing the value-added practice successfully for 2 full years or more**, you must provide a **detailed business plan** that includes 3 years of projected cash flow statements, income statements, and balance sheets;
 - (c) **When you are asking for a VAPG grant of \$50,000 or more and your value-added venture is either new or you have been doing it successfully for less than 2 full years**, you must provide an **independent feasibility study and a detailed business plan** that includes 3 years of projected cash flow statements, income statements, and balance sheets

Note that the least document-intensive pathway to a working capital VAPG grant is to apply for \$49,999 or less.

8. You have sufficient resources to pay for **at least half of the cost** of your value-added activity. You will need to **prove** you have this match. Your match may be in the form of cash on hand, a committed operating line, or the in-kind value of your agricultural commodity (at harvest).

A few other things to bear in mind:

VAPG is a very narrowly targeted grant program and preparing a VAPG application will still take some time. After all, you need to make a compelling case that your proposal merits USDA grant support. Grants are awarded on a **competitive** basis. Only the best, well-designed projects with the greatest prospect for success will be supported.

Time is of the essence. The application **DEADLINE** is **August 29, 2011** (postmark date).

VAPG grant funds **cannot pay for any processing equipment or real estate improvements**. Remember, it's for working capital – things like supplies (like bottles, jars, labels), utility costs for the project, labor (not your own, of course!), professional services, custom processing fees, etc. If you need to buy fixed assets, you'll have to make other arrangements.

If you're not currently doing a value-added activity with your agricultural commodity, but want to hire professional help to evaluate the possibility, you may want to apply for a VAPG **Planning** Grant. You will need to meet all of the above criteria except that you don't need to be doing the value-added activity yet and you don't need to prove that it works (that's what the Planning Grant can help you figure out). Planning grants share half the cost of things like market studies, business plans, and feasibility studies.

Some examples of how VAPG can help your operation

Do you make some kind of product with your commodity, like wine or jam? That's adding value through the "change of physical state method" VAPG method. A VAPG grant could share the cost of your bottles, jars, labels, hired processing labor, utilities, and advertising.

Do you sell your produce locally at farmers markets? That's adding value through the "locally-produced" VAPG method. A VAPG grant could share the cost of your gas to drive to the farmers markets, hired labor, signage, and market fees.

Do you market your commodity as "organically-grown" or "grass-fed" or "FSC-certified"? That's adding value through the "production in a manner that enhances value" VAPG method. A VAPG grant could share the cost of your labels and your marketing/advertising budget.

How do I get started?

Make sure you're eligible. Review the "if" criteria above. If you don't meet **all** of the conditions, you won't be successful. It doesn't matter if you disagree with the criteria – that's just the way the program is set up and there can be no exceptions made no matter how great your idea is.

Prepare a VAPG application. You can find a two-part application **template** on the Oregon-RD web site: <http://vapg.ruraloregon.biz> The web site is available 24/7, and it has answers to most questions.

Be sure to attach all of the **supporting documents** that the templates ask for. If you leave anything out, your application will have to be passed over as incomplete no matter how good your project is.

You can **improve your chances** of getting an award if:

You do a really good job of proving your claim that the value-added practice increases your customer base and total sales.

You do a really good job of answering the priority scoring section.

USDA is particularly interested in getting applications from **beginning farmers** (agricultural producers who have been in operation for less than 10 years). Likewise, we'd really like to help **minority and women agricultural producers**. There are actually some grant funds reserved for these groups, plus they get a boost in the priority scoring process.

Questions?

RD-Oregon's staff will be glad to answer questions you have about the program and the process. But it's up to you to prepare your VAPG application or make arrangements with someone to do it for you.

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