

September 5, 2009

What's new with the revised VAPG program in 2009? An update from RD-Oregon

A revised Value-Added Producer Grant Program (VAPG) notice inviting applications was finally published on September 1, 2009. We've just updated our VAPG web site to reflect what we've learned so far:

<http://www.rurdev.usda.gov/or/vapg.htm>

We will continue to add updates as we get further clarification. Rather than us send out repeated emails with status updates, we leave it to you to check our VAPG web site periodically for updates, templates, etc.

The following is a brief summary of what we have learned so far about the final, revised 2009 VAPG guidelines...

APPLICATION DEADLINE:

First and foremost, the application deadline is November 30, 2009. Applications must be postmarked by that date.

THE STANDARD VAPG CATEGORIES:

Although there are some significant changes in the program, most affect only a few of the established categories of VAPG proposals:

1. Commodity Processing (changing the commodity's physical state) projects. There are few changes from last year.
2. Market Differentiation projects. This is a significant change here. The only type of differentiation that appears to be allowed is the kind that comes from a "nonstandard production method" – e.g. organically grown, natural fed, etc. Other types of branding are now ineligible. This disqualifies proposals centered on an "Oregon" brand or a producer's own market identity unless such branding is for some other type of eligible value-added product (e.g., changed physical state, etc.); branding alone however is no longer considered to be value-adding.
3. Physical Segregation projects. There are few changes from last year.
4. On-Farm Renewable Energy projects. Eligible activities in this category have been considerably restricted. On-farm renewable energy generation from ag commodities (biomass) and their byproducts (anaerobic digesters) remain eligible. However, wind, solar, geothermal, and hydro renewable energy projects are now only permitted if the energy is going to be used in another type of on-farm value-added activity (e.g.,

processing); these energy sources cannot be planned or operated with VAPG funds if the intent is simply to generate electricity.

ADDITIONAL CHANGES:

The lion's share of the changes comes from the addition of several new categories of VAPG projects and applicants. If they don't apply to you or your project, you can ignore them:

- a. "Locally-Produced Agricultural Food Products" is a new eligible category of value-adding activity. This applies when the product is produced and marketed either within 400 miles of the farm or within the same state.
- b. "Mid-Tier Value Chains" is a new concept. 10% of the VAPG funds are reserved for such proposals. MTVC's center around a network of producers, distributors, and processors, linking local ag commodities to the consumer. The rules governing this category are very detailed and specific. If you are interested in this, please read the Federal Register notice very carefully.
- c. "Beginning Farmer & Rancher" and "Socially Disadvantaged Farmer & Rancher" are new classifications of applicant. Another 10% of the VAPG funds are reserved for their proposals. "Beginning" farmers appear to be farmers who have been farming for less than 10 years. "Socially Disadvantaged" farmers are minority and women farmers.
- d. The priority scoring system remains very similar to past years with the exception that points are no longer given of "innovation" while significant favor is now given to projects submitted by "beginning", "socially disadvantaged", and small or medium-sized (<\$700,000 in annual revenues) family-size farms.
- e. The threshold for a project to be considered "value-adding" is raised. The project must now accomplish two things. First, it must increase the producer's customer base. Second, it must increase the producer's share of the revenue from the commodity. Both must be accomplished; one alone is not sufficient to qualify as a value-added activity.

WHAT'S NEXT?

We are now working on updating the Oregon application templates and should be posting them soon, pending additional clarification from Washington DC on some of the new rules.

Please keep checking our web site for updated templates. We'll post them as soon as we can.

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