**Rural Development – Oregon**
Business & Cooperative Programs
http://www.rurdev.usda.gov/ORvapg.html

1201 NE Lloyd Blvd., Ste. 801
Portland, OR 97232

Phone: (503) 414-3369
TDD: (503) 414-3387
Fax: (503) 414-3397

# Value-Added Producer Grant (VAPG) Program

PLEASE NOTE: The VAPG NOFA for FY 2012 has been announced and found on our web page at: http://www.rurdev.usda.gov/ORvapg.html

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

Farmers, ranchers, foresters & fishers 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 activities that add value to the commodities they raise or for on-farm renewable energy generation projects. The goal of the program is to expand market opportunities for producers and increase the producer's share of revenue from their commodities.

## Funds available

In 2011, **$37 million was awarded** in a nationwide competition. (This allocation was comprised of two years of funding).

- **10%** of these funds are reserved for "Beginning" (< 10 years in farming) 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 the last funding round Oregon's 24 eligible applicants received a total of $1,534,580.

Examples of Oregon VAPG projects include Working Capital and planning for truffle growing, winemaking, specialty confections, oak logs to flooring, grass-fed beef, wheat to flour, etc.

## Authorized purposes

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

Planning grant – **$100,000 maximum grant** (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 grant** (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.

## Eligible applicants

1. Independent Producers (either individuals or business entities) –**farmers**, **ranchers**, **foresters**, **fishers**, & **harvesters** 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 may have 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 may have 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 BOTH ***expanding the customer base*** AND ***generating a greater return to the producer*** – using any of five methods:

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. Value-enhancing production – 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).
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 not eligible.*
5. Locally-produced food – produced & marketed either within 400 miles or within the same state (e.g., locally-grown)

**"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 $1,000,000. 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. In MTVC's, ownership of the commodity may change provided an increase in customer base & revenue return to the applicant can be demonstrated. 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.

"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.)

Business Plan/Feasibility Study requirement. For working capital projects, applicants seeking grants of ≥ $50,000 must have a detailed **Business Plan** for their project, and an independent **Feasibility Study** is also required if the value-added project is less than 2 years old.

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 from the applicant (and family members) can provide up to 25% of the project cost – with sufficient documentation. The documented value of the commodity grown by the producer for the project can also serve as match.

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.

## *GET STARTED NOW!*

1. Establishing your eligibility is critical to success with this program. Call us if you are unsure of your eligibility.
2. Working Capital grant applicants. Prepare 3 years of projected financial statements – cash flow, income statements, and balance sheets – with accompanying explanation of your assumptions. If you are going to apply for a ≥ $50,000 Working Capital grant, you will need a business plan for your project. If your venture is less than 2 years old, you will need a feasibility study from an *independent* consultant.
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 application template. Time permitting, we are willing to review draft applications and offer suggestions.

**Selection Process**

USDA's State Office will review all applications for completeness and feasibility.

Feasible, complete VAPG applications will be scored via an independent review using the following criteria**:**

| Points | Criteria |
|---|---|
| **0-30** | Nature of the proposed venture (feasibility, profitability, potential) |
| **0-20** | Qualifications of project personnel |
| **0-10** | Commitments & support (level and nature of producer & third party support) |
| **0-20** | Work plan & budget (quality and detail) |
| **0/10** | Applicant is either: (1) Family Farm with a 3-year-average annual gross revenue of < $1,000,000 or (2) Beginning Farmer or (3) Socially Disadvantaged Farmer or (4) Mid-Tier Value Chain or (5) Cooperative |
| **0/10** | USDA Administrator discretionary points (to improve geographic distribution) |

Awards are made competitively based on score, with a minimum of 45 points required for consideration.

**Helpful VAPG links:**

Additional VAPG information is on-line at: http://www.rurdev.usda.gov/ORvapg.html

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

| | | | | |
|---|---|---|---|---|
| VAPG Coordinator | Martin Zone | Portland | 503-414-3361 | martin.zone@or.usda.gov |
| RBS Technician | John Holman | Portland | 503-414-3369 | john.holman@or.usda.gov |

Please note that all information in this fact sheet is subject to change based on the issuance of the Fiscal Year 2012 Notice of Funding Availability.