



Value-Added Producer Grant (VAPG) Program

Grants to plan & implement value-added ventures to increase the 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 increase the producer's share of revenue from the commodities they produce.

Funds available

In 2008, approximately **\$18.4 million is to be awarded in a nationwide competition**. 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.

Authorized purposes

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

Planning grant – \$100,000 maximum per project (in FY2007; subject to change in FY2008)

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 (in FY2007; subject to change in FY2008)

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.

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

Eligible applicants

- **Independent Producers** (either individuals or business entities) – i.e., **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, but if selected for funding, the group must form a legal, business entity structure before the award can be made.)
- **Agricultural Producer Groups** – representing & controlled by Independent Producers
- **Farmer or Rancher Cooperatives** – consisting exclusively of Independent Producers
- **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 value-added proposals

The proposed “value-added” activity must increase the value realized by a producer for their agricultural commodity – either by an **increase in value of the commodity** or by the **expansion of the market** for the commodity – due to either:

1. **Commodity processing** – i.e., processing that changes the commodity's physical state (e.g., wheat flour, fruit jam, diced tomatoes, biodiesel, ethanol, fish fillets, wool rugs)
2. **Differentiated production/marketing** – i.e., producing or marketing a commodity in a way that is different from “normal” thereby creating a market identity that increases value (e.g., organic; locally-grown; branding; appellations). *Proposals in this category are only eligible for Working Capital grants.*
3. **Commodity segregation** – i.e., 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** – i.e., *on-farm* production of renewable energy (wind, solar, biomass, anaerobic digester, geothermal)

“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.

Recent examples of Oregon VAPG projects include conducting on-farm wind & geothermal energy assessments, studying a fruit wine product, producing biodiesel, marketing “Oregon-grown” wines, specialty-packed onions & asparagus, milling coop member-grown timber, making dried & sliced fruit products, fresh-packing peas.

Matching requirement

50% or more of project costs must come from other sources (no larger match is required). “In-kind” matching is allowed but strongly discouraged as it must be fully justified and documented, and it will be subjected to extensive verification. VAPG funds are disbursed only after the grantee has first contributed at least an equal amount for eligible purposes.

Grant limitations

The VAPG project cannot start before the grant award is closed and must be completed in 365 days or less.

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.

Key VAPG dates

Application deadline for 2008 proposals is **March 31, 2008**.

Grants are awarded once a year via a national competition, usually in September.

Priority Point System

VAPG grants are awarded competitively based on criteria announced each year. Here are **FY2008'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	Commitments & support
0-8	Commitments & support	Customer base & increased returns
0-8	Project leadership	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	Project cost/owner-producer
0-10	Business management capabilities	Business management capabilities
0-15	Sustainability & economic impact	Sustainability & economic impact
0/5	Business size (<\$10 million gross sales)	Business size (<\$10 million gross sales)
0-5	USDA Administrator discretionary points (innovation; underserved areas; geographic distribution)	USDA Administrator discretionary points (innovation; underserved areas; geographic distribution)

Shaded points are awarded by independent review committees.

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 once 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.

Helpful VAPG links:

- USDA-Oregon's VAPG site – www.rurdev.usda.gov/or/vapg.htm
- USDA's national VAPG site – www.rurdev.usda.gov/rbs/coops/vadg.htm

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
State Office	Jeff Deiss	Portland	503-414-3367	jeff.deiss@or.usda.gov