

261—74.6 (83GA,SF344) Value-added agriculture component.

74.6(1) Purpose. The purpose of this component is to encourage the increased utilization of agricultural commodities produced in this state. The component shall assist in efforts to revitalize rural regions of this state by committing resources to provide financial assistance to new or existing value-added production facilities.

74.6(2) Definitions. In addition to the standard definitions located in 261—Chapter 173, the following definitions apply to the value-added agriculture component:

“Agricultural biomass industry” means businesses that utilize agricultural commodity crops, agricultural by-products, or animal feedstock in the production of chemicals, protein products, or other high-value products.

“Agricultural biotechnology industry” means businesses that utilize scientifically enhanced plants or animals that can be raised by producers and used in the production of high-value products.

“Agriculture” means the science, art, and business of cultivating the soil, producing crops and raising livestock.

“Alternative energy industry” means businesses involved in the production of ethanol, including gasoline with a mixture of 70 percent or more ethanol, biodiesel, biomass, or hydrogen or in the production of wind energy.

“Committee” means the renewable fuels and coproducts advisory committee established pursuant to Iowa Code section 159A.4.

“Coordinator” means the administrative head of the office of renewable fuels and coproducts appointed by the department of agriculture and land stewardship as provided in Iowa Code section 159A.3.

“Coproduct” means a product other than a renewable fuel which at least in part is derived from the processing of agricultural commodities and which may include corn gluten feed, distillers grain, solubles, or a feed supplement, or can be used as livestock feed.

“Farming” means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing or the production of livestock. “Farming” shall not include the production of timber, forest products, nursery products, or sod; and “farming” shall not include a contract where a processor or distributor of farm products or supplies provides spraying, harvesting or other farm services.

“Fund” means the renewable fuels and coproducts fund established pursuant to Iowa Code section 159A.7.

“Innovative” means a new or different agricultural product or a method of processing agricultural products which is an improvement over traditional methods in a new, different, or unusual way.

“Livestock production operations” means the production, feeding and marketing of livestock, poultry and aquaculture. “Livestock production operations” includes, but is not limited to, beef and dairy cattle, swine, sheep, goat, poultry, turkey and equine operations. “Livestock production operations” also includes nontraditional agricultural operations such as ostrich, fallow deer, rabbit, fish and other aquaculture.

“*Office*” means the office of renewable fuels and coproducts created pursuant to Iowa Code section 159A.3.

“*Organic products*” means Iowa-grown or Iowa-raised agricultural products as defined by 21—Chapter 47, Iowa organic program.

“*Person*” means individual, corporation, limited liability company, government or governmental subdivision or agency, business trust, estate, trust, partnership or association, or any other legal entity.

“*Producer-owned, value-added business*” means a person who holds an equity interest in the agricultural business and is personally involved in the production of crops or livestock on a regular, continuous, and substantial basis.

“*Renewable fuel*” means an energy source at least in part derived from an organic compound, capable of powering machinery, including an engine or power plant. “Renewable fuel” includes but is not limited to ethanol-blended or soydiesel fuel.

“*Renewable fuels and coproducts activities*” means either of the following:

1. The research, development, production, promotion, marketing, or consumption of renewable fuels and coproducts.
2. The research, development, transfer, or use of technologies which directly or indirectly increases the supply or demand of renewable fuels and coproducts.

“*Rural region*” means any geographic area which is predominantly rural in nature, that is, having a relatively low population density and where agriculture is the predominant economic activity.

“*Soydiesel fuel*” means a fuel made of processed soybean oil which is mixed with diesel fuel, the mixture being a minimum of 20 percent processed soybean oil.

“*Value-added product*” means a product which, through a series of activities or processes, can be sold at a higher price than its original purchase price.

74.6(3) Eligibility. In order to qualify for financial assistance under the value-added agriculture component of the program, a business shall be a production facility engaged in the process of adding value to agricultural products. Projects considered eligible under this component include but are not limited to innovative agricultural products and processes, innovative and new renewable fuels, agricultural biotechnology, biomass and alternative energy production, and organic products and emerging markets. Financial assistance is available for project development as well as project creation.

a. Innovative agricultural products and processes. An application based on this component shall be considered if either of the following applies:

(1) The business will produce a product derived from an agricultural commodity, if the product is not commonly produced in Iowa from an agricultural commodity; or

(2) The business will utilize a process to produce a product derived from an agricultural commodity, if the process is not commonly used in Iowa to produce the product.

For purposes of this paragraph, a product is “not commonly produced” and a process is “not commonly used” if the product or process is not usually, generally, or ordinarily produced or processed in Iowa.

b. Innovative and new renewable fuels. Applications for renewable fuel and ethanol production shall be considered by the department for funding. Applications based on ethanol fuel production must meet the following criteria to be considered for funding:

- (1) All fermentation, distillation, and dehydration of the ethanol occurs at the proposed facility.
- (2) The ethanol produced at the proposed facility is at least 190 proof and is denatured. However, if the facility markets the ethanol for further refining, the facility must demonstrate that the refiner produces at least 190 proof ethanol from the ethanol purchased from the facility.

c. Agricultural biotechnology, biomass and alternative energy. Agricultural business facilities in the agricultural biotechnology industry, agricultural biomass industry, and alternative energy industry are eligible for program assistance.

d. Organic products and emerging markets. Facilities that add value to Iowa agricultural commodities through further processing and development of organic products and emerging markets are eligible for program assistance.

e. Project development assistance. The department, at its discretion, may also provide funding for project development related to targeted industries or proposed projects under this program. Feasibility studies and basic research are not eligible for assistance under this program.

f. Project creation assistance. This option is for projects that eventually could be eligible for funding within other value-added agriculture component funding areas.

(1) Any person is eligible to apply, except educational or research institutions. However, an educational or research institution may be a partner to an eligible applicant.

(2) The evaluation process will focus on the application of new technology and knowledge to agricultural products and processing and will be based upon the degree to which:

1. The resulting business has potential to increase utilization of agricultural commodities in this state; and
2. The resulting business has potential to increase value-added economic activities within this state.

74.6(4) Ineligible projects.

a. The department shall not provide financial assistance to support a value-added production facility if the facility or a person owning a controlling interest in the facility has, in the previous five years, demonstrated a continuous and flagrant disregard for the health and safety of its employees or the quality of the environment.

b. The department shall not approve an application for assistance under this component to refinance an existing loan.

c. The department shall not directly award financial assistance to support an activity directly related to farming as defined in Iowa Code section 9H.1, including the establishment or operation of a livestock production operation, regardless of whether the activity is related to a renewable fuel production facility.

d. An applicant may not receive more than one award under this program for a single project. However, previously funded projects may receive an additional award(s) if the applicant demonstrates that the funding is to be used for a significant expansion of the project, a new project, or a project which results from previous project development assistance.

e. The board and the department shall not award financial assistance under the value-added agriculture component in an amount exceeding 50 percent of the total capital investment in a project.

74.6(5) Review process.

a. Applications will be reviewed by staff for completeness and eligibility. If the applicant had previously consulted with the coordinator in completion of the application, the department may refer the application to the coordinator for further feasibility studies if deemed necessary. Applications will be reviewed as described in 261—Chapter 175.

b. The department may consult with other state agencies regarding any possible future environmental, health, or safety issues linked to technology related to the biotechnology industry.

c. The department reserves the right to informally consult with external resources to assist in the evaluation of projects or to contract with outside consultants, in an amount not to exceed \$20,000 per project, for the same purpose.

74.6(6) Evaluation criteria. The department shall evaluate applications based on the following criteria:

a. *Feasibility.* The company must submit a feasible business plan which demonstrates managerial and technical expertise.

b. *Priority components.* The department will review the degree to which the proposed project meets one of the component elements which include:

- (1) Innovative agricultural products and processes.
- (2) Innovative and new renewable fuels.
- (3) Agricultural biotechnology, agricultural biomass and alternative energy.
- (4) Organic products and emerging markets.

c. *Utilization.* The department will review the degree to which the facility will add value to and increase the utilization of agricultural commodities in this state.

d. *Producer ownership.* The level of producer ownership will be given additional consideration.

e. *Rural region.* The department will review the extent to which the existing or proposed facility is located in a rural region of the state.

f. *Local match.* A business applying for financial assistance under the value-added agriculture component is eligible for financial assistance regardless of whether the business has received matching funds from a city or county.

g. *Need.* The department will review the level of need of the region where the existing facility is located or the proposed facility is to be located.

h. *Coproducts.* The department will review the degree to which the facility produces a coproduct which is marketed in the same locality as the facility.

i. *In-state suppliers.* The department will review the extent to which the facility utilizes in-state suppliers of inputs and feedstocks for processing and manufacturing.

j. *Sales.* The department will review the extent to which the facility sells its products outside the state.