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Value-Added
Agricultural Products
and Processes Financial
Assistance Program

Semi-annual Report
on progress in VAAPFAP

FY2005
January 31, 2005 – June 30, 2005

Iowa Department
of
Economic Development

REPORT TO THE IOWA LEGISLATURE
REPORT TO THE IOWA LEGISLATURE, AS REQUIRED BY IOWA CODE SECTION 15E.111(8)

**VALUE ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL
ASSISTANCE PROGRAM (VAAPFAP)**

PURPOSE: The purpose of the Value-Added Agricultural Products and Processes Financial Assistance Program is to encourage the increased utilization of agricultural commodities produced in the State of Iowa. The program does this by providing financial assistance to new and innovative value-added agricultural businesses and to renewable fuel facilities.

BACKGROUND

The VAAPFAP program committed funds for its first project in November of 1994, and since then has committed over \$47 million to 360 value added agricultural businesses in the state of Iowa. There were three original components to the program, Innovative Agricultural Products & Processes, Renewable Fuel and Project Creation Assistance.

In 2004 the program was amended to implement new legislation and several new program component areas were added. Those new components include agricultural biotechnology, biomass and alternative energy as well as organic and emerging markets. VAAPFAP will primarily work with the new Iowa Economic Development Board to assist projects. This will require that VAAPFAP consider wage guidelines for the first time when awards are made.

In FY 2005 awards totaling over \$4 million have been made. These projects represent value added activity in the areas of renewable fuels, organic food processing as well as

new and innovative products and processes.

PRESENT

The Project Creation portion of VAAPFAP was launched in FY 1997. The purpose of this section of VAAPFAP is to help develop new business consortiums. One of the areas of assistance that has developed in Project Creation Assistance is in providing funds to help in the organizing of collaborative value-added ventures among Iowa farm operators which has included the organization of the farmer owned ethanol initiatives around the state. To date, the Project Creation Assistance has assisted 12 of these ethanol facilities. These 12 projects represent nearly 5,000 Iowa farmers investing in their futures.

The Renewable Fuels component of VAAPFAP assisted in six renewable fuel projects to date in FY 2005. Iowa now has 762 million gallons of ethanol production on-line while another 760 million gallons of capacity is under construction or being planned.

It is anticipated that there will be continued interest in ethanol production as well as growing interest in many other bio fuel type projects in the state. Interest in biodiesel facilities is growing rapidly with several in the planning stages and one 30 million gallon facility under construction at Wall Lake.

The program has provided funding to a number of value-added businesses. Some of the businesses of interest include Lincolnway Energy's planned ethanol facility and Western Iowa Energy's biodiesel plant. Naturally Iowa is a new, natural milk processing and

marketing company located in Clarinda, Iowa. They will market naturally produced milk around the Des Moines, Omaha and Kansas City areas, benefiting a number of smaller dairymen in that area of the state. They have recently added equipment to bottle their product in containers made from corn starch.

PAST

There have been some successful projects that are growing and having an impact in Iowa. The Iowa Turkey Growers, after purchasing the West Liberty processing facility, has continued to prosper and grow after some early struggles because of extremely low prices. They have become a profitable enterprise and the growers are beginning to realize benefits from the risk they had taken. Natural Products of Grinnell continues to grow and find new markets for its soy flour products. Sioux Biochemical and Sioux Pharms continue to grow with their products for the nutraceutical industry.

FUTURE

With IDED taking a more prominent role in developing projects, the possibilities for new ag businesses developing in the state is positive. We will continue to encourage the present agricultural industries in the state as well as producers to process more and more agricultural commodities here in Iowa, rather than elsewhere.

CONCLUSION

The Department of Economic Development would like to acknowledge the Ag Products Advisory Council (APAC) for their time and insight in reviewing applications monthly and

making recommendations on funding of projects. The list of APAC Members is included as Attachment B. The Department of Agriculture and Land Stewardship has provided technical assistance to many of the applicants for help in project development, most recently through the newly formed Ag Innovation Center. We would also like to recognize the commodity organizations for their assistance in providing information on projects in their areas of expertise and their work in value-added agriculture.