

Value-Added  
Agricultural Products  
and Processes Financial  
Assistance Program

Semi-annual Report  
on progress in VAAPFAP

FY2006  
January 1, 2006 - June 30, 2006

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)

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***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 \$52 million to 380 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. Attachment A is a listing of the funding activities for Fiscal Year 2006.

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. Starting in fiscal year 2006 the VAAPFAP program was to use Iowa Values Fund money for awards to eligible projects. This prompted some changes in the program. The Agricultural Products Advisory Council (APAC) still reviews VAAPFAP applications and makes

recommendations, however, these recommendations now go to the Iowa Department of Economic Development Board for Values Fund consideration. Since the awards are from the Iowa Values Fund, potential VAAPFAP award recipients now must meet wage guidelines provided for in the IVF legislation which is at least one-half the jobs created or retained must have wages that meet 130% of the county average wage including benefits.

In FY 2006 20 awards totaling \$5.5 million have been made. These projects represent value added activity in the areas of renewable fuels, food processing as well as new and innovative products and processes. These 20 businesses have indicated that they will make capital investments of over \$500 million.

## **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.

The Renewable Fuels component of VAAPFAP assisted in 11 renewable fuel projects to date in FY 2006. Ten renewable fuel projects have been biodiesel facilities and the other renewable project was a large, locally-owned ethanol plant in Mitchell County. We expect more biodiesel projects. There are also more new ethanol facilities and expansions being

considered at this time as well other bio fuel projects utilizing biomass material as the source of fuel. Attachment C is a map of the ethanol and biodiesel plants in Iowa that are operational, under construction or being planned.

The program has provided funding to a number of value-added businesses. Some of the businesses of interest include Iowa Renewable Energy, a biodiesel facility in Washington, and Nutriant's, a Kerry division, new research facility being built in Vinton instead of Wisconsin because of our assistance. Vande Rose Farms is a small group of pork producers that have been successful in marketing their natural pork locally and in the West and East coasts of the U.S.

## **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 expand 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. Renewable Fuels and Renewable Energy have rapidly become important industries in Iowa, and particularly in rural Iowa. 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 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.