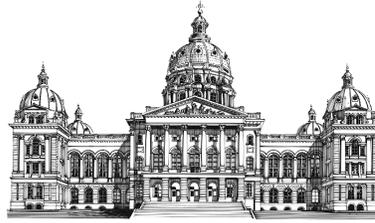


Iowa Legislative Fiscal Bureau

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State Capitol
Des Moines, IA 50319
November 13, 1997

Value-Added Agricultural Products and Processes Program

ISSUE

Iowa commits \$4.0 million of motor vehicle Use Tax receipts annually to value-added agriculture through the Value-Added Agriculture Products and Processes (VAAPP) Program of the Department of Economic Development (DED) and the Renewable Fuels and Co-Products Program of the Department of Agriculture and Land Stewardship (DALs). The VAAPP Program is reviewed here. The Renewable Fuels and Co-Products Program is discussed in a separate *Issue Review*.

AFFECTED AGENCIES

Department of Economic Development
Department of Agriculture and Land Stewardship

CODE AUTHORITY

Section 423.24(1)(b), Code of Iowa
Section 15E.111, Code of Iowa
Chapter 159A, Code of Iowa

BACKGROUND

Senate File 2385 (Value-Added Agricultural Products and Processes Act), enacted by the 1990 Legislative Session, created the **VAAPP Program**. The Program was funded by an initial allocation of \$209,000 from the DED's Iowa Community Development Loan Fund.

Senate File 545 (Renewable Fuels Act), enacted by the 1991 Legislative Session, created the **Renewable Fuels Fund and the Office of Renewable Fuels** within the DALs. House File 2456 (Ethanol Production Act), enacted by the 1992 Legislative Session, allocated \$4.0 million from motor vehicle Use Tax receipts to the DALs Renewable Fuels Fund, beginning in FY 1994 and ending with FY 1998. House File 2337 (Agricultural Development and Rural Revitalization Act), enacted by the 1994 Legislative Session:

- Extended the \$4.0 million Use Tax allocation through FY 2000.
- Amended the DED's Value-Added Agricultural Products and Processes Program and allocated 91.25% (\$3,650,000) of the annual Use Tax allocation to the VAAPP Fund.
- Reduced the funding for the Renewable Fuels Program to 8.35% (\$350,000 per year) of the Use Tax allocation. Prior to FY 1994, the Renewable Fuels Program was funded through an allocation from the Farm Commodity Division's General Fund appropriation.

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Sections 5 through 9 and 11 through 15 of SF 391 (FY 1998 Transportation, Capitals, and Infrastructure Appropriations Act), enacted by the 1997 Legislative Session continued funding for both Programs by providing a standing General Fund appropriation of \$3,650,000 to the VAAPP Program and \$350,000 to the Renewable Fuels and Co-Products Program, beginning in FY 2001.

CURRENT SITUATION

CODE REQUIREMENTS

The VAAPP Program is created in Section 15E.111, Code of Iowa. The stated purpose of the Program is to encourage the increased utilization of agricultural products produced in the State. The Program is directed to assist in efforts to revitalize rural regions of the State, by committing resources to provide financial assistance to new or existing value-added production facilities. In addition, Section 15E.111:

- Specifies assistance in the form of loans, loan guarantees, grants, and/or production incentives shall be made to qualified facilities which are involved in the development of new innovative products and processes related to agriculture and to renewable fuel production facilities.
- Defines persons eligible to apply for assistance.
- Provides application evaluation criteria for the new innovative products and processes category, including:
 - Project feasibility
 - Rural location
 - Local match
 - Level of economic need in the region
 - Production of co-products marketable within the region
 - The degree to which the production process or product is currently available in the State.
- Provides application evaluation criteria for the renewable fuel facility category, including:
 - All fermentation, distillation, and dehydration will occur at the proposed facility.
 - The ethanol produced at the facility will be denatured and at least 190 proof. However, if the ethanol is marketed for further refining, the facility must demonstrate that the refiner will produce 190 proof ethanol.
 - Requires priority to be given to facilities which directly support livestock production operations.
 - Directs the DED to cooperate with the DALS Office of Renewable Fuels and Co-Products. Specifies the Office shall primarily be responsible for project technical assistance.
 - Directs the Department of Natural Resources to assist an applicant in complying with all applicable environmental regulations, and requires the DNR to approve any permit applications related to a project within 12 weeks, or reply to the applicant describing why a permit cannot be issued.

- Directs the three State universities to assist facilities receiving VAAPP Program assistance.
- Requires the DED and the DALS Office of Renewable Fuels and Co-Products to issue a report every six months detailing the operations of the two Programs.

ADMINISTRATIVE RULES

The administrative rules for the VAAPP Program are found in 261 Iowa Administrative Code, Chapter 57. The rules specify a person is eligible to apply for assistance from the VAAPP Fund if:

- The existing or proposed facility is located in the State.
- The application is completed in a manner required by the DED.
- A business plan is submitted which demonstrates managerial and technical expertise.

The rules specify the following three components of the VAAPP Program. During the first three quarters of a fiscal year, funding is divided among the components according to the listed percentage. During the fourth quarter, the percentages do not apply.

- Innovative Agriculture Products and Processes (40.0%) - Assists operations which are involved in the development of new and innovative products and processes related to agriculture. An applicant shall be considered for assistance if the business will produce a product, or utilize a process, derived from an agricultural product, if the product or process is not commonly utilized in Iowa.
- Renewable Fuels (40.0%) - Assists renewable fuels production facilities within the State. An applicant shall be considered for assistance if the fuel produced is denatured and at least 190 proof, or reaches 190 proof through further refining.
- Project Creation (20.0%) - Encourages the creation of business partnerships or networks working on ideas for new agricultural products or processes. Assistance is available for projects that could become eligible for VAAPP financing. Assistance is also available for the purpose of assisting in departmental evaluation of proposals, or could be used for one of the proposed project activities where further development could reasonably be expected to lead to a VAAPP-eligible enterprise. Feasibility studies and basic research are not eligible.

Projects are ineligible if:

- The person owning a controlling interest in the facility has demonstrated, within the past three years, a flagrant disregard for the health and safety of employees or the quality of the environment.
- The assistance is to be used to refinance an existing loan.
- The assistance is used to support an activity directly related to farming.
- The applicant has received VAAPP funding in the past. However, additional awards may be made to an applicant for new projects or for significant expansions.
- The financial assistance awarded would be in excess of 50.0% of total project costs.

The DED rules reserve up to 50.0% of the annual funding available for persons requiring \$100,000 or less in assistance (applies only to the first three quarters of a fiscal year). The rules further prohibit the award of more than 25.0% of any years funding to a single person. The rules generally

require a combination of loans and grants, with the percentage of funding in the form of loans increasing as the amount of assistance increases. The loan interest rate is equal to the prime rate on the day of the award.

VAAPP FUND

The VAAPP Fund is established in Section 15E.112, Code of Iowa. The Fund is financed through an annual allocation of \$3,650,000 from motor vehicle Use Tax receipts through FY 2000, and a standing appropriation from the General Fund in FY 2001 and beyond. The Fund retains loan repayments and loan interest. The assets of the Fund may only be used to support the VAAPP Program.

Table 1 of Attachment 1 provides historical revenue, expenditures and balances of the VAAPP Fund from the perspective of the State accounting system (IFAS), while **Table 2** provides the same information from the internal DED accounting system. The State accounting system FY 1997 ending cash balance for the VAAPP Fund was \$7,674,358, while the DED balance for the Fund is \$847,888. The difference is contained in the items listed at the bottom of **Table 2**. The majority of the difference is in awards not yet distributed. The Code of Iowa and Program administrative rules do not specify the time available between when assistance is awarded and when a project reaches a stage where the financial assistance is disbursed. Thirty-one projects have not drawn \$6.7 million in awarded financial assistance. Seven of the projects have award dates in FY 1995 (\$1.9 million).

PROJECT ASSISTANCE AWARDED AND DISTRIBUTED

Attachment 2 provides the list of VAAPP Program projects approved through FY 1997. The amount awarded as a loan, forgivable loan/grant, the amount distributed through FY 1997, and amount of assistance remaining to be distributed is listed. **Attachment 3** provides a brief description of each project. In addition to approved projects, the General Assembly has directed funding for three specific projects through the Program. Those projects include:

- \$50,000 to the **Microbusiness Rural Enterprise Project** contained in Section 34, HF 2337 (Agriculture Development and Rural Revitalization Act), enacted by the 1994 Legislative Session. The project has received the allocated funds.
- \$300,000 to the **Soydiesel Demonstration Project** contained in Section 32, HF 2337 (Agricultural Development and Rural Revitalization Act), enacted by the 1994 Legislative Session as amended by Sections 32 through 34, HF 553 (FY 1996 Agriculture and Natural Resources Appropriations Act), enacted by the 1995 Legislative Session and through Sections 43 and 44 of HF 2421 (FY 1997 Transportation, Infrastructure, and Capitals Appropriations Act), enacted by the 1996 Legislative Session. The project received \$100,000 of the allocated funds.
- \$100,000 to the **Iowa Quality Grain Initiative** as contained in Section 82, SF 2470 (FY 1997 Standings and Economic Development Appropriations Act), enacted by the 1996 Legislative Session.

Through FY 1997, the Program has awarded and distributed:

- Loans:
 - awarded, \$6,471,796 (47.4% of total assistance awarded).
 - distributed, \$2,875,500 (41.2% of total awards distributed).
- Forgivable loans/grants:

- awarded, \$7,136,246 (52.2% of total assistance awarded).
- distributed, \$4,111,121 (58.8% of total awards distributed).

ALTERNATIVES

In addition to the Renewable Fuels and Co-Products and VAAPP Programs, financial assistance for value-added agriculture processes and production may be available through the following State programs.

- DED's Industrial New Jobs Training Program (Chapter 260E, Code of Iowa)
- DED's Jobs Training Program (Chapter 260F)
- DED's Community Economic Betterment Account (CEBA) Program (Section 15E.315)
- DED's Enterprise Zone Program (HF 724 [Enterprise Zone Act], enacted by the 1997 Legislative Session)
- DED's Community Development Block Grant Economic Development Set Aside Program (federal aid pass-through)
- DED's New Jobs and Income Program (Chapter 15A)
- DED's Workforce Development Fund (Section 15.343)
- Department of Transportation's Revitalize Iowa's Sound Economy (RISE) Program (Chapter 315)

BUDGET IMPACT

This *Issue Review* is presented for informational purposes only.

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Value-Added Agricultural Products
and Processes Program

IFAS VAAPP FUND BALANCE SHEET

Table 1 *

	FY 1994	FY 1995	FY 1996	FY 1997	TOTAL
Beginning Balance	\$ 0	\$ 3,550,000	\$ 5,284,524	\$ 7,263,866	\$ 0
Revenue					
Loan Interest	0	4,725	38,155	90,002	132,882
Loan Principal Repaid	0	2,775	190,549	99,813	293,137
Use Tax	3,550,000	3,650,000	3,670,490	3,558,750	14,429,240
Total	<u>\$ 3,550,000</u>	<u>\$ 3,657,500</u>	<u>\$ 3,899,194</u>	<u>\$ 3,748,566</u>	<u>\$ 14,855,260</u>
Expenditures					
Salaries & Benefits	0	47,431	30,758	47,186	125,375
Travel	0	1,616	1,281	1,395	4,291
Office Supplies	0	528	544	383	1,455
Printing	0	2,071	1,590	1,412	5,073
Communications	0	660	662	931	2,252
Rentals	0	2,447	2,426	2,743	7,617
Prof Services	0	19,347	30,653	33,885	83,885
Outside Services	0	273	838	1,721	2,832
Advertising	0	809	293	0	1,103
Outside Services	0	57	36	111	204
Data Processing	0	1,903	18	6,101	8,022
Auditor	0	1,647	443	0	2,090
Other State Agencies	0	0	0	81	81
Loans and Grants	0	1,844,188	1,850,308	3,242,125	6,936,621
Total	<u>\$ 0</u>	<u>\$ 1,922,976</u>	<u>\$ 1,919,852</u>	<u>\$ 3,338,073</u>	<u>\$ 7,180,902</u>
Ending Balance	<u>\$ 3,550,000</u>	<u>\$ 5,284,524</u>	<u>\$ 7,263,866</u>	<u>\$ 7,674,358</u>	<u>\$ 7,674,358</u>

* According to the State accounting system - Iowa Financial Accounting System (IFAS)
Columns and rows may not add, due to rounding.

DED VAAPP FUND BALANCE SHEET

Table 2 **

	FY 1994	FY 1995	FY 1996	FY 1997	Total
Beginning Balance	\$ 0	\$ 3,550,000	\$ 2,389,409	\$ 2,415,913	\$ 0
Revenue					
Use Tax	3,550,000	3,650,000	3,670,000	3,528,334	14,398,334
Repayments	0	2,775	189,553	86,452	278,780
Loan Interest	0	4,725	39,150	55,939	99,815
Total	<u>\$ 3,550,000</u>	<u>\$ 3,657,500</u>	<u>\$ 3,898,703</u>	<u>\$ 3,670,726</u>	<u>\$ 14,776,929</u>
Expenditure					
Administration	0	71,000	40,000	160,000	271,000
Loans	0	2,288,796	1,773,000	2,410,000	6,471,796
Forgivable Loans/Grants	0	2,453,296	2,159,200	2,623,750	7,236,246
Other	0	5,000	0	45,000	50,000
Award Recaptures	0	0	-100,000	0	-100,000
Total	<u>\$ 0</u>	<u>\$ 4,818,091</u>	<u>\$ 3,872,200</u>	<u>\$ 5,238,750</u>	<u>\$ 13,929,041</u>
Ending Balance (DED)	<u>\$ 3,550,000</u>	<u>\$ 2,389,409</u>	<u>\$ 2,415,913</u>	<u>\$ 847,888</u>	<u>\$ 847,888</u>
Unused Administration					\$ 76,719
Unrecorded Use Tax					30,906
Unrecorded Repayments					47,424
Awards not yet distributed					6,671,421
Additional Balance					<u>\$ 6,826,470</u>
Ending Balance (IFAS)					<u>\$ 7,674,358</u>

** According to the internal tracking system of the DED.
Columns and rows may not add, due to rounding.

Attachment 2

Year	Location	Item	Loan Award	Forgivable Loan/ Grant Award	Total Awards	Loaned Thru FY 1997	FL/Grant Thru FY 1997	Total Aid Thru FY 1997	Aid Remaining To Be Disbursed
FY 95		Microbusiness		\$ 50,000	\$ 50,000		\$ 50,000	\$ 50,000	\$ 0
FY 95	Iowa DALS	Soy Diesel		200,000	200,000			0	200,000
FY 95	Oskaloosa	Bee-Lor, Inc	300,000	200,000	500,000	300,000	200,000	500,000	0
FY 95	Mingo	Field Trials		70,000	70,000		70,000	70,000	0
FY 95	Fairfield	Agriboard, Ind, Inc		100,000	100,000		100,000	100,000	0
FY 95	Polk City	Innovalve (Bravo Cardio.)		50,000	50,000		50,000	50,000	0
FY 95	Prole	Applied Ag Tech		100,000	100,000		100,000	100,000	0
FY 95	Blairstown	Sunrise Energy Corp	720,000	180,000	900,000		180,000	180,000	720,000
FY 95	Jewell	W & G Marketing Co.		100,000	100,000		100,000	100,000	0
FY 95	Hopkinton	Mermeate Refining, Inc.	300,000	200,000	500,000	300,000	200,000	500,000	0
FY 95	Red Oak	Mid Ag, L.C.		100,000	100,000		100,000	100,000	0
FY 95	Oakland	Precision Beef	25,000	25,000	50,000		25,000	25,000	25,000
FY 95	Grundy Center	NeWorld Gourmet	49,188	54,188	103,375		49,188	49,188	54,188
FY 95	Sioux City	Power Plant Aggregates	48,108	48,108	96,216		48,108	48,108	48,108
FY 95	Grinnell	Natural Products	137,500	137,500	275,000	137,500	137,500	275,000	0
FY 95	Ames	AMPC, Inc.	259,000	111,000	370,000	260,000	110,000	370,000	0
FY 95	Ames	Simply Better Food	150,000	150,000	300,000			0	300,000
FY 95	Lineville	Seven Oaks		20,000	20,000		20,000	20,000	0
FY 95	Riceville	J & L Grain Roasting		75,000	75,000		75,000	75,000	0
FY 95	Story City	MBS Comp. Systems		187,500	187,500		187,500	187,500	0
FY 95	Glidden	Western Ethanol Corp.	300,000	300,000	600,000			0	600,000
FY 96	Iowa DALS	Soy Diesel		100,000	100,000			0	100,000
FY 96	Des Moines	Homestead Farms (G & H?)	62,500	62,500	125,000	62,500	62,500	125,000	0
FY 96	Ralston	Interwest, Inc.		100,000	100,000		100,000	100,000	0
FY 96	Charles City	Jaeger Percherons		20,000	20,000		20,000	20,000	0
FY 96	Red Oak	Minsa Corp	135,000	90,000	225,000	135,000	90,000	225,000	0
FY 96	Green Mountain	Green Products Co.		100,000	100,000		100,000	100,000	0
FY 96	Earlham	Iowa Quality Meats	33,000	77,000	110,000	33,000	77,000	110,000	0
FY 96	Polk City	Innovalve	45,000	105,000	150,000			0	150,000
FY 96	Sioux Center	Sioux Biochemical		95,000	95,000		95,000	95,000	0
FY 96	Albia	Fluegge & Terpstra		54,700	54,700		54,700	54,700	0
FY 96	Atlantic	Integrated Agri-Energy	700,000	200,000	900,000		25,000	25,000	875,000
FY 96	Sioux Center	NOBL Laboratories	100,000	150,000	250,000	100,000	150,000	250,000	0
FY 96	Klemme	Silk Purse Enterprises		40,000	40,000		40,000	40,000	0
FY 96	Inwood	Lee Seed Co.		50,000	50,000		50,000	50,000	0
FY 96	Corning	Natural Chem Ind.	300,000	200,000	500,000		75,000	75,000	425,000
FY 96	Audubon	The Butcher Shop		50,000	50,000		50,000	50,000	0
FY 96	Riverside	Bioresource Recovery	60,000	140,000	200,000		75,000	75,000	125,000
FY 96	Des Moines	LamPost Meats		100,000	100,000		100,000	100,000	0
FY 96	Story City	MBS Comp. Systems		137,500	137,500		137,500	137,500	0
FY 96	Sergeant Bluff	Ag Processing, Inc.	300,000	200,000	500,000			0	500,000
FY 96	Atlantic	Precision Beef Alliance	37,500	87,500	125,000	37,500	87,500	125,000	0
FY 96	Ames	Agriboard, Ind, Inc		-100,000	-100,000		-100,000	-100,000	0
FY 97		Quality Grain Initiative		100,000	100,000			0	100,000
FY 97	Red Oak	Mid Ag, L.C.	500,000	200,000	700,000	500,000	200,000	700,000	0
FY 97	Chelsea	Iowa Oats Processors	60,000	140,000	200,000	60,000	140,000	200,000	0
FY 97	Hamburg	Manindra Energy Corp.	700,000	200,000	900,000		24,000	24,000	876,000
FY 97	Des Moines	Chemtec of Iowa, Inc.		50,000	50,000		50,000	50,000	0
FY 97	Le Mars	Prototec, Inc.	100,000	150,000	250,000			0	250,000
FY 97	Lafimer	Glenn Freie Natural Meats		40,000	40,000		40,000	40,000	0
FY 97	Harlan	Great Lakes Chem Corp		100,000	100,000			0	100,000
FY 97	Sioux Center	Sioux Biochemical	45,000	50,000	95,000		95,000	95,000	0
FY 97	West Liberty	Iowa Turkey Growers	700,000	200,000	900,000	700,000	200,000	900,000	0
FY 97	Ames	Iowa Meat Processors (ISU)		15,000	15,000		15,000	15,000	0
FY 97	Sac City	Oxley's Percherons		20,000	20,000			0	20,000
FY 97	Forest City	Wildflowers By Wubben		10,000	10,000		10,000	10,000	0
FY 97	Atlantic	SW Iowa Egg Producers		50,000	50,000		40,000	40,000	10,000
FY 97	Baldwin	Tabor Family Winery		95,000	95,000		55,000	55,000	40,000
FY 97	Iowa Falls	Fibred Iowa	100,000	150,000	250,000			0	250,000
FY 97	Nevada	ASBR		130,000	130,000			0	130,000
FY 97	Castana	Cedar Prospects, LLC		27,500	27,500			0	27,500
FY 97	Vinton	Soy Specialists		24,000	24,000			0	24,000
FY 97	Grinnell	Natural Products	250,000	0	250,000	250,000		250,000	0
FY 97	Des Moines	Iowa Pacific Products		245,000	245,000			0	245,000
FY 97	West Union	Fayette Rural Action		11,250	11,250		5,625	5,625	5,625
FY 97	Albia	Family Tree Furniture		50,000	50,000			0	50,000
FY 97	Des Moines	Agri Industries		110,000	110,000			0	110,000
FY 97	Cedar Rapids	AVBD97		206,000	206,000		145,000	145,000	61,000
FY 97	Stratford	Specialty Leather		50,000	50,000			0	50,000
FY 97	Story City	MBS Composition Systems		200,000	200,000			0	200,000
Total			\$ 6,516,796	\$ 7,141,246	\$ 13,658,041	\$ 2,875,500	\$ 4,111,121	\$ 6,986,621	\$ 6,671,421

VALUE ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL ASSISTANCE PROGRAM

OCT 24 1997

BUREAU OF BUSINESS FINANCE

Project Title - Location - Approval Date

Project Category

PROJECTS FUNDED OR APPROVED FOR FUNDING FISCAL YEAR 1995

Bee-Lor, Inc., Oskaloosa, 11/09/94

\$500,000 to market a tofu/pork bratwurst that was developed in cooperation with ISU. This product uses Iowa soybeans and Iowa pork to make a good tasting low-fat bratwurst sausage. The project involved a 60% loan/40% grant, with 60% funded at project commencement and the remainder as the company reaches certain sales goals.

Specialty animal & grain products processing.
Innovative consumer foods.

Field Trials, Inc., Mingo, 12/14/94

\$70,000 grant to develop a portable machine to separate useful solids from liquid waste in hog confinement waste lagoons. The separator uses a flocculent in combination with a mechanical separation process and is designed to reduce the source of odor from lagoons while extracting useful fertilizer products. Its portability allows the machine to be moved from farm to farm as needed.

Environmental mitigation.

Applied Agricultural Technologies, Inc., Prole, 1/17/95

\$100,000 grant to develop a small-scale corn ethanol plant for use in association with cattle feed lots of 50 to 500 head. The goal of the project is to demonstrate a design for an ethanol/gluten feed producing plant that can be matched in size to the number of cattle to be fed from the products of the plant.

Renewable fuel. Animal production.
Producer participation.

Sunrise Energy Coop, Blairstown, 1/17/95

\$900,000 (\$720,000 loan/\$180,000 grant) to build a 7.5 million gallons per year ethanol plant in conjunction with a cattle feedlot to use the corn gluten co-products of the ethanol process. Grant funds were committed for pre-construction planning and business development, with the remainder available at the point that all required permits were obtained, membership equity in the co-op was confirmed, and permanent financing in place to complete the \$15 million overall project.

Renewable fuel. Animal production.
Producer participation.

W&G Marketing Company, Inc., Jewell, 1/17/95

\$100,000 grant to expand to market a whole hog bulk barbecue. This company will use roasting size pigs (under 200 lbs.), which are usually unmarketable and a cost to the pork producer.

Specialty animal products processing.
Innovative consumer foods.

Bravo Cardiovascular, Inc., Polk City 1/17/95

\$50,000 grant to support relocation of a California company to Iowa. Bravo purifies porcine heart tissues to manufacture valves used to replace damaged human heart valves.

Specialty animal products processing.

Mid Ag, L.C., Red Oak, 3/17/95

\$100,000 grant to be used to develop a genetics and feeding program for Hereford cattle, and a marketing initiative for a premium branded beef cuts. The project provides a unique level of quality assurance by controlling its product from pasture to the plate.

Animal production.
Identity preservation; branded products.

Permeate Refining, Hopkinton, 3/17/95

\$500,000 loan/grant for expansion of an existing processing plant. The company processes sugars and starches from other grain and food processing facilities to produce ethanol. Funding was provided as a 60% loan and 40% grant.

Renewable fuel.
Specialty grain processing.

Project Title - Location - Approval Date

Project Category

Precision Beef Alliance, Oakland, 3/17/95

\$25,000 loan/\$25,000 grant to establish a controlled genetics program for beef cattle which will assist local producers to raise consistently higher quality beef.

Animal production. Identity preservation.
Quality assurance.

NeWorld Gourmet, Grundy Center, 3/17/95

\$49,187.50 loan/\$49,187.50 grant for acquisition of processing equipment and for marketing value-added microwave-ready pork and beef specialties.

Specialty animal products processing.
Innovative consumer foods.

Power Plant Aggregates, Sioux City, 3/17/95

\$48,108 loan/\$48,108 grant for a project developed with ISU to mix alkaline waste products from coal-burning power plants with hog manure to limit odor while increasing fertilizer value of the manure.

Environmental mitigation.

Natural Products, Inc., Grinnell, 4/11/95

\$137,500 loan/\$137,500 grant to purchase a soybean dry-milling plant in Minnesota and move it to the Grinnell area. The company will produce flour from soybeans through a dry roasting process that does not involve the use of chemical solvents, allowing them to market a "natural" soy product for health food stores and the baking industry. The process will increase demand for identity-preserved soybean varieties, including organically grown soybeans for this fast growing market.

Specialty grain processing.
Specialty grain production.

AMPC, Inc., Ames (hdqtrs), 4/11/95

\$111,000 loan/\$259,000 grant to refurbish a production facility in Harlan at an overall cost of \$2.5 million. The facility is to process pork tissue from local meat packers. The material was formerly used only for pet foods or as waste product, and the AMPC process will convert it for new use in higher-value food ingredients. This project will add an estimated 65 jobs in the Harlan area.

Specialty animal products processing.

Simply Better Foods, Inc., Boone, 4/11/95

\$150,000 loan/\$150,000 grant to bring a new company to Iowa that uses technology from Australia to produce soy-based specialty food products, including soy cheese and Sun Nut Spread.

Specialty grain processing.
Innovative consumer foods.

Seven Oaks, Inc., Lineville, 5/23/95

\$20,000 grant to meet requirements for an SBA loan to purchase equipment for manufacture of lump charcoal from Iowa hardwoods for sale to restaurants and institutional food services.

Niche market product.

J&L Grain Roasting, Inc., Riceville, 5/23/95

\$75,000 forgivable loan for equipment to be used in a soybean extrusion process. The soybean meal will be used for livestock feed and the oil will be sold to feed companies.

Commodity grain processing.

MBS, Inc., Story City 5/23/95

\$187,500 grant to equip 15 Iowa grain elevators with state-of-the-art grain testing instruments and to train personnel in the use of the new technology. The use of the new instruments allows the elevators to test for critical characteristics in corn and soybeans, including oil content, starch and protein. These characteristics determine the suitability of grain for use in highly specialized applications. Producers receive premium prices for high-quality grain grown for these markets.

Specialty grain production.

Project Title - Location - Approval Date

Project Category

Western Ethanol Corporation, Glidden, 5/23/95

\$300,000 loan/\$300,000 grant to help build a dry mill ethanol plant. This plant will process approximately 11,000,000 bushels of corn annually and will produce 30,000,000 gallons of ethanol. Funds were released as required permits were obtained. bank financing was in place, and local equity investment was confirmed.

Renewable fuel.
Commodity grain processing.

PROJECTS FUNDED OR APPROVED FOR FUNDING IN FISCAL YEAR 1996

Homestead Farms, Inc., Des Moines, 7/25/95

\$125,000 (50% loan/50% grant) to bottle Iowa soybean oil for retail and institutional markets. The company is presently the only soy oil bottling facility in the state.

Commodity grain processing.
Consumer foods production.

Interwest, Inc., Ralston, 8/29/95

\$100,000 grant supporting an overall project of \$700,000 to build and equip a plant to process soybeans into methyl ester and glycerol. The methyl ester is used by others in the manufacture of bio-diesel fuel and industrial cleaners and the glycerol will be sold on open market for a variety of chemical uses.

Commodity grain processing.
Conversion for industrial products.

Jaeger Percherons, Charles City, 8/29/95

\$20,000 grant to be used for equipment in a \$163,000 project to collect urine from pregnant Percheron mares. This product is purified, dried to a powder form and sold to pharmaceutical companies to be made into estrogen compounds for human pharmaceutical use.

Specialty animal products processing.

Minsa Corp., Red Oak, 8/29/95

\$225,000 (\$90,000 loan/\$135,000 forgivable loan) as part of an overall \$4 million project to remodel and expand a vacant corn milling facility to produce white corn tortilla flour for the growing Mexican food market in the Midwest and East Coast. Minsa will be contracting for and purchasing white corn from growers in the local area.

Specialty grain processing.
Specialty grain production.

Green Products, Green Mountain, 9/29/95

\$100,000 (\$20,000 grant/\$80,000 forgivable loan) to produce litter for small animals and birds from corn cobs in a unique process. The \$20,000 grant is for final laboratory safety testing of the product. If proven safe, the \$80,000 forgivable loan was authorized for start-up costs of the new business.

Specialty grain processing.
Innovative consumer product.

Iowa Quality Meats, Earlham, 9/29/95

\$110,000 (\$33,000 loan/\$77,000 forgivable loan) to further develop and market fin riblets from sowmeat. This product is to be marketed primarily in the appetizer market as an alternative to buffalo wings.

Specialty animal products processing.
Innovative consumer food products.

Inno-Valve IVT, Polk City, 9/29/95

\$150,000 (\$45,000 loan/\$105,000 forgivable loan) to expand facilities and to pursue approval of the federal Food and Drug Administration. Inno-Valve receives hog hearts from area packing plants and processes them into valves that can be transplanted into diseased or damaged human hearts. Inno-Valve was originally funded in FY 95 to move the company from California to Iowa. After the move to Iowa, the company name was changed from Bravo to Inno-Valve.

Specialty animal products processing.

Project Title - Location - Approval Date

Project Category

Sioux Biochemical, Sioux Center, 10/27/95

\$95,000 forgivable loan to further develop an emerging niche market for specific proteins. These proteins are isolated from various food animal tissues and are purified and sold for use in bio-technology research projects by its customers.

Specialty animal products processing.

Fluegge & Terpstra, Albia, 11/30/95

\$54,700 Forgivable loan to organize and launch an ostrich meat production and processing operation in southern Iowa. The project also provides for further developing markets for ostrich meat products.

Specialty animal products production and processing.

Integrated Agri-Energy, Atlantic, 1/27/96

\$700,000 loan/ \$200,000 grant to build a 10 million gallon per year ethanol facility in SW Iowa. This plant will utilize 4 million bushels of corn per year and produce 103,000 tons of wet corn gluten cattle feed to be used by local beef producers.

Renewable fuel.
Commodity grain processing.

NOBL Laboratories, Sioux Center, 2/23/96

\$100,000 loan/ \$150,000 forgivable loan for development of the Pre-Harvest Continuous Quality Improvement Monitoring System. This system will reduce pathogens in pork, improve eating quality and enhance animal growth performance. The project responds to plans of the United States Food Safety Inspection Service to require meat and poultry plants to install quality assurance procedures and performance standards. NOBL's system allows animal producers to reduce pathogens such as salmonella, trichina, toxoplasma and to reduce potential of chemical residues.

Animal production quality assurance.

Silk Purse Enterprises, Inc., Klemme, 3/27/96

Silk Purse is a subsidiary of Mary Ann Specialty Foods and received a \$40,000 forgivable loan to expand the manufacture of pet treats from pig ears.

Specialty animal product processing.
Innovative consumer product.

Lee Seed Co., Inwood, 4/25/96

\$50,000 forgivable loan to purchase equipment to process Iowa soybeans into snack foods, rather than have that work contracted to processors in other states.

Specialty grain processing.
Consumer food product.

Natural Chem Industries, Corning, 4/25/96

\$300,000 loan/\$200,000 forgivable loan to assist in moving a processing plant to Corning, Iowa. The plant uses syrup from ethanol plants to recover pure glycerin and other nutrients. Pure glycerin is used in cosmetics, pharmaceuticals, tobacco products, food, beverages, and explosives.

Specialty grain processing.

The Butcher Shop, Audubon, 5/23/96

\$50,000 forgivable loan for expansion of a processing facility to slaughter and process emus and ostriches. The healthful quality of ostrich and emu meat has supported growing demand that cannot be filled from the limited processing capacity in Iowa.

Specialty animal products processing.

Bioresource Recovery Systems, Riverside, 5/23/96

\$140,000 forgivable loan, \$60,000 loan to expand and market a pure organic fertilizer. This company has a unique product containing more than 50% material from corn and soybeans and legume crops (three different bean varieties) to be grown locally. The company will contract with area producers to grow these special varieties.

Specialty grain processing.
Specialty grain production.

Project Title - Location - Approval Date

Project Category

MBS Composition Systems, Story City, 6/26/96

\$137,500 forgivable loan to assist 15 Iowa grain elevators in purchasing near-infrared sensing instruments to be used for testing grain for protein, oil, starches, etc. The ability of the elevators to confirm valuable qualities in grain will allow producers receive premium prices for high quality specialty corn and soybeans.

Specialty grain production.

Ag Processing Inc. (AGP), Sergeant Bluff, 6/26/96

\$300,000 loan and \$200,000 forgivable loan for costs associated with expansion and environmental compliance improvements of a soybean processing facility. The overall project cost was \$5 million. This facility is for production of methyl esters which are used for bio-diesel, degradable industrial solvents and cleansers, and spray adjuvants.

Commodity grain processing.
Conversion for industrial materials.

Precision Beef Alliance, Atlantic, 6/26/96

\$37,500 loan and \$87,500 forgivable loan to establish a retail marketing program to work in conjunction with their data collection and consulting program they provide to beef producers. Producers should receive a premium for the cattle that are marketed through this program.

Specialty animal production.
Product quality assurance.

LamPost Meats, Des Moines, 6/26/96

\$100,000 forgivable loan to expand, improve the process, and increase the production of chitterlings. Chitterlings are part of the hog's large intestine, which are processed into an edible product.

Specialty animal products processing.
Consumer food products.

PROJECTS FUNDED OR APPROVED FOR FUNDING IN FISCAL YEAR 1997

Mid Ag, Red Oak, 7/1/96

\$500,000 loan and \$200,000 forgivable loan to determine feasibility, plan and construct a state of the art beef processing facility for processing of specialty products.

Specialty animal products processing.
Product quality assurance.

Iowa Oat Processors, Chelsea, 9/1/96

\$60,000 loan and \$140,000 forgivable loan to purchase and remodel an oat processing facility that was in a bankruptcy proceeding, and to start a new business to supply processed Iowa oats to the baking industry.

Commodity grain processing.

Manildra Corp., Hamburg, 8/27/96

\$700,000 loan/\$200,000 forgivable loan to improve and remodel a closed ethanol plant in Hamburg. The project will utilize the waste stream from an adjacent wheat processing facility, will utilize 1,660,000 bushels of corn per year and will provide 13 jobs in the Hamburg area.

Renewable fuel.
Commodity grain processing.

Chemtec of Iowa, Des Moines, 8/27/96

\$50,000 forgivable loan to produce and sell an odor control product (MPC) to be used primarily in the pork production industry. This product was tested at ISU and found to control approximately 85% of odors from confinement waste lagoons.

Environmental mitigation.

Prototec, Inc., Le Mars, 8/27/96

\$100,000 loan/\$150,000 forgivable loan to start up a specialty meat processing facility in Le Mars. This facility employs a patented process that uses tougher, lower-value cuts of meat from area slaughter facilities and converts them into tenderized products for the food service and retail markets.

Specialty animal products processing.
Innovative consumer food products.

Project Title - Location - Approval Date

Project Category

Glenn Freie Natural Meats, Latimer, 8/27/96

\$40,000 forgivable loan to produce, process and market a natural pork product. The company will own and control the genetics used to produce the pork through licensing agreements with independent producers. The products will be fresh meat and cooked meat in packaged in old-fashioned jars as a table ready product.

Specialty animal products processing.
Innovative consumer food products.

Great Lakes Chemical Corp., Harlan, 8/27/96

\$100,000 forgivable loan to locate a corn stover processing plant in Harlan. This plant will compress and cube corn stalks to be used in the Great Lakes Chemical plant in Omaha to produce the chemical furfural. Furfural is used in a variety of products such as plastics, insecticides, concrete, and paints. Producers will be able to sell corn stover for \$30 per ton, and the project will provide 18 jobs in the Harlan area.

Commodity grain processing.
Conversion to industrial materials.

Sioux Biochemical, Sioux Center, 9/21/96

\$50,000 forgivable loan to purchase additional equipment and a new building to expand their products of purified animal tissue proteins used in biotechnology research.

Specialty animal products processing.

Iowa Turkey Growers Coop, West Liberty, 10/21/96

\$700,000 loan/\$200,000 grant to purchase the Louis Rich turkey processing facility in West Liberty. The coop consists of 43 producers who raise 3.5 million turkeys per year. This project will support 425 jobs in the West Liberty area and will maintain operations in a facility that is critical to an important industry within the state.

Animal products processing.
Producer participation.

Oxley's Percherons, Sac City, 11/19/96

\$20,000 forgivable loan to be used for equipment to collect urine from pregnant Percheron mares. This product is dried to a powder form and sold to pharmaceutical companies to be made into estrogen compounds.

Specialty animal products production.

Wildflowers by Wubbon, Forest City, 11/19/96

\$10,000 forgivable loan for production equipment and initial marketing expense for natural prairie plant materials.

Niche market product.

Tabor Family Winery, Baldwin, 12/20/96

\$95,000 forgivable loan to assist construction of a building, purchase of equipment, and marketing of Iowa produced wine from grapes grown in Iowa and elsewhere.

Niche market product.

Fibred Iowa, Inc., Iowa Falls, 1/31/97

\$100,000 loan/\$150,000 forgivable loan to be used with \$250,000 provided to the company by the City of Iowa Falls for improvements in its waste handling and treatment systems. The company processes hulls from soybeans into dietary soy fiber for human food supplements. It employs 25 persons and will utilize 650 tons of soybean hulls each week after its waste treatment processes have reached state permit requirements.

Commodity grain products processing.

Cedar Prospects, LLC., Castana, 3/6/97

This company will use a forgivable loan of \$27,500 to harvest Eastern Red Cedar in Southwest Iowa and to extract the oil for use in the perfume industry, for deodorizers, and other industrial applications. The tree species has encroached on pastures in 15 Iowa counties and is a problem for farm operators.

Niche market product.

Project Title - Location - Approval Date

Project Category

Natural Products, Inc. , Grinnell, 4/97

This company was a previous recipient of VAAPFAP funding for its entry into production of low-fat soy flour. This project, in the form of a \$250,000 loan, supports expansion of their milling capacity to meet rapid growth in export market demand for naturally processed, identity preserved soy products.

Specialty grain processing.
Specialty grain production

Iowa Pacific Processors, Inc., Des Moines, 4/24/97

\$98,000 loan and a \$149,000 forgivable loan to support purchase, installation and marketing for a Vacuum Skin Packaging machine (VSP), a novel system for meat products packaging and preservation. The total cost of the project is \$530,500. The company exports virtually all of its processed beef products to Asian markets. Introduction of the new packaging system allows significant expansion of its market reach.

Specialty animal products processing.

Agri-Industries, Des Moines, 5/28,97

Agri Industries is owned by 250 producer cooperatives and operates a variety of businesses in support of its members. Among those subsidiaries is Industrial and Transportation Equipment Company (ITEC) which sells, services and rebuilds rail car movers, many of which are in use at grain elevators and other food processing facilities. Agri received a \$110,000 forgivable loan to support an overall project expense of \$220,000 to introduce a soybean oil hydraulic fluid for use in rail car movers and later in other industrial lubricant applications. The soy-based oil is 70% biodegradable, offering a significant advantage in environmentally sensitive situations. Agri's marketing plan would also provide the product to Sandia National Laboratory in New Mexico, which has served as a test-bed for use of soy-based hydraulic fluid in a variety of machinery applications. This product is the result of four years of state-assisted research and development at the Ag Based Industrial Lubricants program of the University of Northern Iowa. carried out in its Waverly research center.

Commodity grain processing.
Conversion to industrial products.

Family Tree Furniture, Ptnrshp., Albia, 5/28/97

This company was approved for a \$50,000 forgivable loan to be used for a building addition and equipment for manufacture of specialty products made from local hardwoods. Family Tree Furniture features hand carved designs incorporated into rocking chairs, benches, and other types of indoor and outdoor seating. The business has enjoyed rapid growth that outstripped the capacity of existing facilities.

Niche market product

Specialty Leather Processors, Inc., Stratford area, 6/25/97

This company was approved for a \$50,000 forgivable loan to launch a new business in tanning ostrich hides and other exotic leathers. The founders are former employees of a closed leather tanning operation that operated in Boone. With its closure, no facility remained in Iowa able to process high-value animal hides from ostrich, emu, rhea, or buffalo. Specialty Leather Processors, Inc. has also obtained a loan of \$150,000 from the U.S. Small Business Administration and will furnish \$75,000 of start-up capital from personal resources.

Specialty animal products processing.

MBS Composition Systems, Inc., Story City, 6/25/97

This project is the third increment of funding for MBS Composition Systems, and consisted of a \$200,000 forgivable loan to cost share purchase and installation of 16 near-infrared grain quality measuring instruments to be placed at grain elevators throughout the state. The overall project has hastened the entry of the Iowa grain industry in the value-added specialty grains markets, allowing producers and elevators to command premium prices for certified, identity-preserved corn and soybeans.

Specialty grain production

Project Title - Location - Approval Date

Project Category

Elite Visions, Inc., Waukon, 7/18/97

\$60,000 loan and a \$140,000 forgivable loan to be used to commercialize the Gourley Scope, an advanced visualization device used in artificial insemination of sheep and swine. The Gourley Scope enables precise and reliable insemination of animal species in which this technology has been difficult to apply in the past. Use of the product permits less costly and more rapid genetic improvement.

Advanced technology for animal production.

Iowa Soy Specialties, L.L.C., Vinton, 8/27/97

\$140,000 equity grant and a \$60,000 loan is used by this start-up firm to leverage over \$500,000 of other funds to construct and equip a facility to manufacture low-fat soy flour and natural oil. Development of new manufacturing processes for this product was pioneered by Iowa Soy Specialties to serve rapidly expanding markets for soy flour in the baking industry. The company will contract local farms to produce special soybean varieties for domestic and export markets.

Specialty grain processing.
Producer participation.

Kalona Foods, L.L.C., Kalona, 8/27/97

\$100,000 forgivable loan to support a total budget of \$375,000 to start a new egg processing facility for eggs to be marketed as "drug and medication free." The eggs will be produced in local farms and packaged by the new firm for distribution to area retailers. The business will restore local job opportunities in an existing facility that had been vacated by the prior owners.

Specialty animal products processing.

Agren, Inc., Carroll County, 9/24/97

\$40,000 forgivable loan to support a total project budget of \$80,000 to develop and market a manure brokerage to serve West Central Iowa. Agren's program is to provide full analytical services for both manure, soils, and crop residues, and will include an insurance policy on crop fertilization and environmental compliance.

Animal production and environmental impact management.

Fairview Farms, Inc., Corwith, 10/22/97

\$75,000 loan to support an overall project budget of \$970,000 used to construct a soybean cleaning, sizing, and packaging facility for exporting food grade soybeans to Japan. Fairview Farms, Inc. contracts local growers for a variety of specialty soybeans, including certified-organic and non-genetically modified, for which growers receive premium prices. The company employs unique technology that allows precision sorting of beans by size as well as type.

Specialty grain production.
Specialty grain processing.

Ostrich Cooperative of Iowa, Ogden, 10/22/97

\$60,000 forgivable loan to support a project budget of \$120,000 used to purchase packaging machinery for specialty ostrich meat products. The project is being carried out in cooperation with Amana Meats and Smokehouse which will package new ostrich products for sale under its popular label. A part of the project budget will also support additional marketing activities for this and other ostrich meat products.

Specialty animal products processing.

PROJECTS FUNDED IN THE PROJECT CREATION ASSISTANCE COMPONENT

<p>Iowa Meat Processors Association, Ft. Dodge (statewide project), 11/15/96, 97-PCA-1 \$15,000 grant for acquisition of print materials and other start up expense for a statewide program to train smaller meat processors in new federal sanitation controls and procedures, carried out by ISU Meat Industry Extension.</p>	<p>Specialty animal products processing.</p>
<p>Southwest Iowa Egg Producers Coop, Atlantic, 12/12/96, 97-PCA-2 \$50,000 cost share grant for business planning, legal, accounting, engineering, and other organizational expense in advance of constructing a 1,000 member cooperative egg production facility in Cass County.</p>	<p>Producer participation in value-adding production. Animal products.</p>
<p>Anaerobic Sequencing Batch Reactor Demonstration, Nevada, 3/21/97, 97-PCA-3 \$130,000 grant/royalty investment to engineer, construct, and test a full-scale demonstration of a novel waste treatment, odor control and energy recovery system for confinement hog feeding facilities, based on an ISU patented process.</p>	<p>Environmental mitigation.</p>
<p>Iowa Soy Specialties, LLC., Vinton, 3/31/97, 97-PCA-4 \$24,000 matching grant to conduct pilot production of a low-fat natural soy flour and to carry out additional testing of methods to refine the residual oil for high-value uses.</p>	<p>Producer participation in specialty grain processing. Innovative consumer food product.</p>
<p>Fayette County Animal Waste Composting Project, West Union, 5/27/97, 97-PCA-5 \$11,250 grant in association with a concurrent grant of \$6,000 from the Rural Innovations Grants program, for market research and feasibility study for conversion of dairy and hog confinement wastes into compost products for animal bedding and soil improvement.</p>	<p>Environmental mitigation. Producer participation in specialty animal products processing.</p>
<p>Southwest Iowa Egg Producers, Atlantic, 3/19/97 (97-PCA-2 Amendment No. 1) \$10,000 supplemental matching grant to offset extraordinary legal and administrative expense related to resolution of federal tax status of cooperatives involved in livestock-based value-adding activities.</p>	<p>Producer participation in value-adding production. Animal products.</p>
<p>AVBD97, L.L.C., Cedar Rapids (statewide project), 5/30/97, 97-PCA-6 \$145,000 grant and \$61,000 forgivable loan to support expenses associated with negotiation of an agreement with a major beef processor and to organize participation of Iowa cattle producers for development of a jointly owned, large-scale beef slaughter and processing facility to be located in Central Iowa.</p>	<p>Producer participation in value-adding animal products processing.</p>
<p>Midwest Feeders Cooperative, Harlan, 9/27/97, 98-PCA-1 \$20,000 matching grant for legal expense associated with planning, organizing, and enrolling participants in a hog feeders cooperative. This project, like Southwest Iowa Egg, is a pioneering effort to involve Iowa farmers in "vertical coordination" business structures able to replicate economies of scale and administration now found in private corporations.</p>	<p>Producer participation in value-adding production. Animal products.</p>
<p>Ag-Based Industrial Lubricants Program, University of Northern Iowa, Waverly, 9/30/97, 98-PCA-2 \$50,000 matching grant accompanied a direct legislative appropriation of \$100,000, and is specifically applied to support for research projects related to conversion of soybean oil into industrial greases and lubricants. The results of this project will be utilized by Iowa soybean producers in gaining added value from oil expelled in their processing of full-fat soy flour.</p>	<p>Commodity grain products processing. Producer participation in subsequent stage.</p>