

Iowa Department of Economic Development

**Value Added Agricultural  
Products and Processes  
Financial Assistance Program**

**(VAAPFAP)**

**VAAPFAP**

- **Created 1994**
- **Primary Purposes:**
  - **Renewable Fuels**
  - **Innovative Products and Processes**

**VAAPFAP Statutory Criteria**

- **Encourage Increased Utilization of Commodity Crops**
- **Assist Revitalization of Rural Regions**

Iowa Code 16E.111

**VAAPFAP Funding**

- **FY 1995 - 2000**
  - \$3.6 million per year
  - Funded from Use Tax for development of motor fuels
- **FY 2001**
  - Funded from General Fund
  - \$3.0 million within the Strategic Investment Fund, minus other legislative earmarks of \$675,000.
- **FY 2002 Proposed**
  - \$3.5 million from Use Tax minus \$350,000 for IDALS Office of Renewable Fuels

**Why Value-Added Agriculture?**

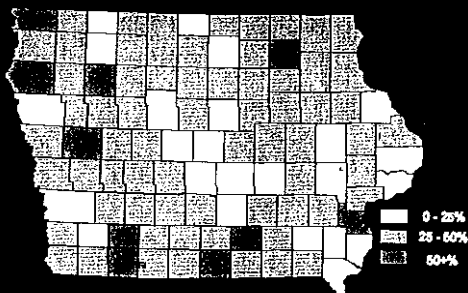
- **To Assist Revitalization of Rural Regions**
  - Iowa's agricultural complex produces 28% of gross state product.
  - For most rural counties, ag-related activity is 60% or more of the local economic base.
  - Smallest ag portion of total employment is Polk County, but which still has over 21,000 ag-related jobs.

**Agriculture Employs Iowans**

446,000 Jobs



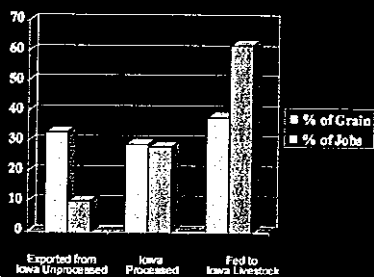
### Ag Employment as Percentage of Total Employment



### Why Value Added Agriculture?

- To Increase Utilization of Ag Commodities
  - 30 to 50% of Iowa's grain production leaves the state in unprocessed form.
  - Increased value added processing represents a statewide growth opportunity.
  - Local ownership of value added processing is key to rural economic stability.

### Why Value Added Agriculture?



### Why Value Added Agriculture?

- To Capture Significant New Opportunities
  - Locally owned ethanol production
  - Identity preserved grain and livestock products
  - Farmer participation in new ventures
  - Agricultural biotechnology collaborations

### Program Operations

- Funds awarded as Loan/Forgivable Loan
- Generally \$20,000 or less is a grant or forgivable loan
- Over \$20,000 is combination loan/forgivable loan
- Maximum award is 25% of annual appropriation
  - Higher the award, the higher the loan portion
- 163 projects awarded to date
- 74 counties represented to date

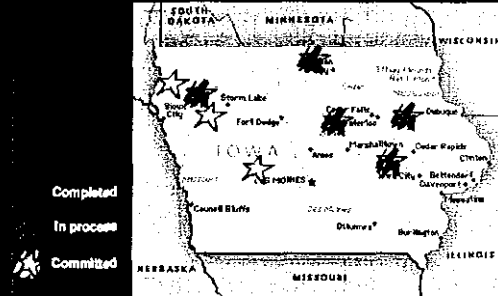
### VAAPFAP Showcase Projects

- West Liberty Foods
  - 44 member turkey grower cooperative
  - purchased Louisa Rich plant with 425 employees, now expanded to 1100+
- Iowa Corn Processors - Glidden
  - 300+ Iowa investors
  - uses 10,000 bu./day for food grade processing
- Iowa Quality Beef Supply Network, LLC
  - 1000 producer members in joint venture with Excel
  - members enrolled in every Iowa county
  - proposes 1st wholly new beef plant in 20 years
  - \$100 million project to revitalize state's beef production

## Ethanol Flows in Iowa

- **Sunrise Energy**
  - launched in 1995 with \$900,000 VAAPFAP support
  - 3 1/2 years to raise producer equity of \$3 million
  - Pioneering effort "broke the ice" for ethanol
- **FY 2000-01 Ethanol Initiative**
  - IDIED joined with ISU, Corn Growers and Farm Bureau to host 7 ethanol familiarization meetings, attended by over 17 community organizations.
  - 7 groups gained VAAPFAP support for project launch.
  - 3 completed equity drives within one month, raising nearly \$30 million total.
  - Active projects may produce 165 million gallons/year.

## Ethanol Flows in Iowa



## Why Value-Added Agriculture?

- **To Assist Revitalization of Rural Regions**
  - Iowa's agricultural complex produces 26% of gross state product
  - For most rural counties, ag-related activity is 50% or more of the local economic base.
  - Smallest ag portion of total employment is Polk County, but which still has over 21,000 ag-related jobs.

## Producer Collaborative Ventures

- 66 Project Creation Assistance awards to date
- 34 grants to assist organization of local producer-owned value adding ventures
  - 4 egg laying facilities
  - 8 dairies
  - 7 ethanol plants
  - 4 pork market development ventures
  - 4 beef alliance development projects
  - 7 other producer-led projects

### Value Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP)

#### Project Creation Assistance:

- Focus on Strategic Initiatives affecting broad ag interests
- Requires consultation with major agricultural organizations
- May utilize 20% of annual appropriation

### Value Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP)

#### Project Creation - Strategic Initiatives:

- Research and feasibility studies to address significant new opportunities
- Organization of collaborative ventures among Iowa farm operators
- Livestock waste management and food quality assurance issues
- Development of systems to manage identity preserved grains
- Cooperative programs for advanced plant or animal biotechnology
- Development and marketing of new food products utilizing soybeans
- Innovative agricultural risk management projects

## Program Impact

- Year 2000 Projects
- VAAPFAP awarded \$2.977 million
  - Other investment totals \$65 million
  - Projects to purchase \$132 million of Iowa commodities per year for value added product output
  - Projects to involve over 2,000 Iowa producers

## Current Fund Status

- FY 2001 Funding Split 50/50 Between Renewable Fuels and Innovative Products
- Current Ethanol Projects Have Exhausted Renewable Fuels Portion of VAAPFAP Fund
- 4th Quarter Awards to Remaining Ethanol Projects Will Exhaust FY 01 VAAPFAP Fund.
- Unfunded FY 01 Projects Must Be Carried Forward to FY 2002