University of Tennessee Extension
Center for Profitable Agriculture
P.O. Box 1819
Spring Hill, TN 37174

Press Release

Contact: Rob Holland or Amanda Ziehl
Phone: (931) 486-2777

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USDA Will Accept Proposals for Value-Added Producer Grant Until March 31

For the sixth year, USDA has announced the availability of competitive grant funds to assist farmers in the evaluation and development of value-added activities. Farmers interested in the "Value-Added Producer Grant" (VAPG) program must submit a comprehensive proposal by March 31, 2006.

Detailed information on how to apply for the funds is available on the Internet at http://www.rurdev.usda.gov/rbs/coops/vadg.htm or by contacting the USDA Rural Development Office in Nashville at (615) 783-1341. All proposal materials must be mailed or sent electronically to Washington, D.C.

Rob Holland and Amanda Ziehl, University of Tennessee Extension specialists with the Center for Profitable Agriculture, work with farmers and value-added agri-entrepreneurs across the state and say that these grants are a good opportunity for farmers. "The grants are designed to help producers with various business planning and market development activities," Holland said. "Grants should not be relied on as the sole source of success for a value-added enterprise, but grants can assist in getting new enterprises off to a good start," Ziehl added.

The value-added grant proposals must declare that the funds will be used for either “planning activities” or as “working-capital” for marketing value-added agricultural products and farm-based renewable energy. To be eligible for the grant funds, applicants must be independent producers, farmer cooperatives, agricultural producer groups or majority-controlled producer-based business ventures. Grant funds must be matched at least dollar-for-dollar and proposals must contain evidence that matching funds meet all stipulated requirements.

Value-added is defined as the incremental value that is realized by the producer from an agricultural commodity or product as a result of a change in its physical state or differentiated production or marketing as demonstrated in a business plan or through product segregation. Also, value-added is the economic benefit realized from the product of farm- or ranch-based renewable energy.

Examples of products meeting the definition include (1) lamb cuts, canned tomatoes, wine, and animal feed; (2) organic lettuce and free-range chicken; 3) identity-preserved commodities and (4) on-farm wind energy and electricity produced from an anaerobic digester.

Eligible planning activities include conducting feasibility studies, developing business plans and developing marketing plans. Only planning expenses associated with the processing or marketing of a value-added product are eligible. Studies that simply evaluate the feasibility of

producing a value-added product are not eligible.

Eligible working capital expenses include purchasing inventory, paying salaries and utilities, funding marketing campaigns, and purchasing office supplies. Only working capital expenses associated with the processing or marketing of a value-added product are eligible. Production costs are not eligible expenses for this value-added grant program.

Holland and Ziehl encourage farmers interested in value-added enterprises to look into the details of the VAPG program.

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