



SUSTAINABLE AGRICULTURE COALITION

110 Maryland Avenue N.E. Phone 202.547.5754
Washington, D.C. 20002 Fax 202.547.1837
www.msawg.org

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Contact: Ann Wright (202) 547-5754

Coalition Applauds USDA Announcement of \$27.8 Million in Grants to Develop Value-Added Markets; Criticizes the Administration and Congress for Dramatic Cuts to Program in FY 2004

Washington, DC - The Sustainable Agriculture Coalition commended USDA today on their announcement of \$28.7 million in fiscal year 2003 Value-Added Producer Grants awards that will bring job opportunities and increased income to farmers, ranchers and rural communities across the country. SAC expressed deep disappointment, however, in the Administration's goal of almost zero funding the program in fiscal year 2004. As a result of the Administration's 2004 budget request for the program, Congress has made deep cuts to the program for fiscal year 2004.

"We have seen an outpouring of interest and demand for this program from farmers and ranchers around the country who are developing businesses that grow their income and bring much needed jobs to their communities," said Ann Wright, a Senior Policy Associate with the Sustainable Agriculture Coalition.

The omnibus appropriations bill for FY 2004 -- passed by the House earlier this week and pending as the first order of business for the Senate when it returns in January -- eliminates all \$40 million of mandatory funding provided by the 2002 farm bill for this program, but then restores \$15 million for it in discretionary dollars, a 63% cut in funding. The President's budget request also proposed eliminating the farm bill funding for the program, and recommended a paltry \$2 million in discretionary funding for value-added grants. The Senate version of the appropriations bill allowed the program to continue with all \$40 million in mandatory funding, while the House version, following the President's suggestion, converted the program to a small \$4 million discretionary account.

"The Administration talks about their commitment to providing tools to help rural businesses create jobs and improve the quality of life, but the unfortunate bottom line is that these programs are not budget priorities," added Wright. "If they were serious about helping the heartland, this program would be fully funded in 2004."

For this grant cycle, USDA received 781 applications totaling approximately \$150 million, and funded 184 of them, for a total of \$28.7 million. Earlier this year, USDA spent \$10 million from the \$40 million available to the program in FY 2003 to fund 10 regional Ag Innovation Centers in 10 different states.

"The demand for this program already exceeds available funding by over 500 percent," noted Wright. "Yet Congress, at the President's request, is in the midst of agreeing to cut the program by 63 percent, clamping down on investments in innovation and market-based approaches to improved farm income."

Originally authorized in the 2000 crop insurance bill and first championed by Senator Chuck Grassley (R-IA), the Value-Added Producer Grants program was re-authorized and upgraded in the 2002 farm bill and slated to receive \$40 million annually from the Commodity Credit Corporation between through 2007. Grants can be made for feasibility studies or for working capital.

The program encourages farm and rural entrepreneurship. Heartland Mills, a farmer-owned small business in Kansas, received a \$150,000 grant to enhance the company's milling operations. Started in 1985 in the basement of a farmer's home, the mill used one 30 inch millstone to grind locally raised organic red winter wheat into stone ground flour. Now, almost 20 years later, they are still in business, employ 33 local workers, and distribute Kansas organic wheat flour to bakers, natural food stores, and food manufacturers around the country.

"In 1985, a small group of farmers saw the deterioration of our rural communities, the loss of job opportunities, and few options for growing our income," recalls Mark Nightengale, CEO of Heartland Mills. "We decided that a value-adding business was the way to go, so we came up with the idea of starting a milling operation. This working capital grant will help us to grow our operation to keep up with expanding demand."

In addition to grants to farmer-based coops and businesses, some VAPG grants are awarded to individual farmers for their business ideas. One of the grant recipients in this round of awards, Deirdre Birmingham of Stoughton, Wisconsin, received an \$8,344 grant to do a marketing and feasibility study for an organic, hard apple cider business. "Iowa County in Wisconsin is an apple producing county," said Birmingham. "I hope to develop a new value-added venture for organic apples in Southwestern Wisconsin and the whole upper Midwest."

Below is a summary of highlights of the newly announced awards as tabulated by the Sustainable Agriculture Coalition from information provided by USDA.

- Producers in thirty-seven states received awards. The top ten states received about \$19.4 million or about 68% of the \$28.7 million total: California (\$4.2 million); Missouri (\$3.7 million); Nebraska (\$3.6 million); Iowa (\$2.8 million); Texas (\$1.8 million); Minnesota (\$1.1 million); Massachusetts (\$1 million); Kansas (\$874,000); Illinois (\$813,000); New York (\$766,000).
- By commodity, 58 projects dealing with grains and oilseeds received approximately \$11.2 million or close to 39% of total funding; while 48 projects dealing with livestock, dairy and poultry received \$7.5 million or close to 26% of total funding, and 37 projects dealing vegetables, fruits and nuts received about \$5.1 million or 18% of the funding. The remainder dealt with hay, dry beans, wood, fiber, fish, sugar and other commodities.
- Organically grown value-adding projects totaled approximately \$2.3 million, or about 8 percent of the total funding, covering 17 projects.
- The average grant award was \$156,000 with the size of grants ranging from \$5,000 to \$500,000 (grants are capped at \$500,000).
- A total of 53 out of the 184 grants were in the \$50,000 or below range or 5% of total funding. At the high end, 19 of the 184 projects or 32% of the total funding were in the \$400,000 to \$500,000 range. Thirteen awards were made to individual producers ranging in size from \$5,000 to \$148,000.
- Energy-related projects, including ethanol, biodiesel, wind, and biomass, laid claim to about \$4 million or 14% of total funding.
- * The 184 total grants were divided nearly 50/50 between working capital grants and feasibility and related marketing and business study grants.