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Value-Added Producer Grants

From raw commodity to a finished good

Written by **Nathan Rudgers**, *Director of Business Development*
 Farm Credit East

The Value-Added Producer Grant (VAPG) program is administered through USDA Rural Development and funded through the 2018 Farm Bill. Its purpose is to help agricultural producers access value-added markets beyond the production of a raw commodity. It requires the producer to change the physical state of the commodity, to access a new market channel or to engage in direct-to-consumer marketing.

Examples of producers who have applied for this grant include grape growers starting a winery, apple growers making cider, produce growers who want to shift from wholesale to retail marketing, dairy farmers producing cheese, and more.



How the funds work

The grant covers items that would normally be part of working capital budgets, rather than equipment or brick-and-mortar investments. It can cover labor, packaging materials, labels, label design, marketing and promotion expenses, trade show expenses, and more. The grant covers 50% of these types of costs on a reimbursement basis as the recipient must expend the funds first and then seek reimbursement. The grant recipient must be able to show they have the required matching funds on-hand or from a lender.

Grants range from \$50,000 to \$250,000 and recipients have a three-year window to execute the project. It is important to consider the overall scale of the business – as well as the expenses that might be incurred to pursue the new venture – to determine the appropriate amount to apply for.

The application process

The application process for these grants is somewhat complex. It requires a business plan with historical financial results and three years of financial projections. In some cases, it requires a feasibility study to validate the projections are achievable and realistic. The significant amount of diligence required in the actual application process often leaves producers hesitant to apply. The expertise at Farm Credit East can help producers navigate this competitive process.

Farm Credit East offers grant writing services as well as consulting and credit facilities for producers who are considering a shift in their operations such as pursuing value-added markets. For more information, visit FarmCreditEast.com/grants.

The application period for the VAPG program is open through March 10, 2020. For more information, visit Rd.usda.gov/.

The Forest Products Industry: A Key Part of the Northeast Economy

Written by **Eric Kingsley**, Vice President
Innovative Natural Resource Solutions LLC

Forests, and the industries that rely upon them, are a cornerstone of the Northeast's rural economy. The region and its people are defined by the forests that grow, the foresters who manage, the loggers that harvest, and the mills that make a full range of products that consumers demand. While the forests are a constant of our region, the way we utilize the forest is ever changing, presenting opportunities and challenges in a shifting landscape.



Sawmills and Lumber

When we think about the forest industry, it's often sawmills and lumber that first come to mind. Turning logs into boards is our first forest industry, and remains the most important market for most landowners (at least from a revenue basis).

For hardwood mills (think fine furniture, cabinets and floors), it has been a challenging year. A trade war between the U.S. and China and resulting tariffs on hardwood exports hit this market hard, resulting in capacity reduction and lost shifts at sawmills across New England and New York. Of course, this didn't just impact the mills — it hit the loggers and landowners that supply logs, and the economies of regions that rely upon these manufacturers.

There is a glimmer of hope that the trade war is winding down but, if true, that means things just go back to where they were. Mills will need to reestablish both supply and markets and many in the industry are wondering if being so heavily tied to exporting to a single country is desirable or sustainable.

Softwood

On the softwood side, (think 2x4s), we've seen housing starts trend upward for a decade, which has provided an expanding market. While that may or may not continue, a decade is a long — but not unprecedented — run of good news. At the same time, new houses have been getting smaller. Smaller houses use less lumber and panels for framing, so we may have reached a peak in demand.

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Most mills have made significant investment in technology to reduce costs and optimize production, but that means the easy ways to control costs have been implemented. If the market for lumber softens, expect log prices to drop — that's really the last spot for mills to look to control their costs.

Pulp and Paper

On the pulp and paper side, the tide has truly turned. After a few years of bad news and mill closures, the Northeast is now in an era of mill reinvestment and product diversification. We've seen mills add packaging, tissue and specialty grades, providing new markets beyond traditional printing and writing.

Most mills have made investments — some of them major — that provide real optimism for continued operation. And in Old Town, Maine, we've seen the restart of an idle pulp mill with a switch to softwood that should provide a critical market for loggers and landowners.

Biomass

Biomass for energy continues to face strong headwinds, both on the market fundamentals and in public policy. Electricity prices in New England and New York are heavily influenced by the price of natural gas, which remains low. On the public policy side, regulators across the region are clearly favoring renewable energy from solar and wind, despite the significant and ongoing economic benefits associated with fueling a biomass plant.

On the positive side, biomass heating remains extremely competitive with oil — the dominant heating fuel in many parts of the Northeast. New public policy in Maine and Massachusetts (mirroring existing policy in New Hampshire) has campuses, hospitals, schools and others evaluating the opportunities to move away from oil to biomass heating with wood chips or pellets.

New Uses of Wood

In addition to the traditional markets, the region is seeing very real movement toward new uses of wood. In Madison, Maine, a company is converting the former paper mill to make insulation out of softwood chips using a technology that's been in use in Europe for years. Across the region, we've seen serious evaluation of wood-based bio-fuel and bio-chemical opportunities. Eventually, one of these technologies is going to be ready for commercial development, and the Northeast has both the resource and the market.

Mass timber technologies like cross-laminated timber also presents an enormous opportunity; using wood to build enormous panels used in low to mid-rise construction. Across the region, there's lots of excitement around "tall wood buildings," with projects in Massachusetts, New York and New Hampshire. There have been multiple announcements of manufacturing mass timber panels in Maine, but so far, the announcements haven't led to any further action.

Looking Ahead

The dark cloud on the horizon for the forest industry remains workforce. In both the woods and at the mills, many sectors have an aging workforce which will see large waves of retirements in the coming years. There are some programs to address this, but a simple look at the demographics suggests that we need more loggers, foresters, truckers, mill workers and others entering the industry to sustain and grow the current level of economic activity.

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The forest industry across the Northeast is ever evolving, with new challenges and opportunities constantly presenting themselves. We've reached a time where the resource and markets are both healthy, with opportunities to expand in many areas. Investments now and in the coming years will help position the forest industry — and the rural economies that it supports — for sustainable success.



Eric Kingsley, Vice President of Innovative Natural Resource Solutions LLC, has a diverse professional background. He has been the Executive Director for a 1,500-member forestry trade association, has represented organizations in both lobbying, legislative and development capacities, and has supported state and federal agencies with disaster relief funding for the forest industry. Kingsley is a recognized expert on renewable energy development and forest products manufacturing. In addition, he has provided testimony on forestry and forest manufacturing issues to both the U.S. Senate and House of Representatives.

CONTACT INFORMATION

We look forward to your questions about Knowledge Exchange Partner and your feedback:

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