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SJ13 Initial List of Innovative Value-Added Food and Agriculture Policies from other states

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Colorado Agriculture Value-Added Development Fund Program

In May 2001 the Colorado legislature passed HB 1086, which created the Agriculture Value-Added Development Board within the Department of Agriculture. The Board makes grants, loans and loan guarantees, and equity investments, and also offers tax credits to eligible agricultural value-added cooperatives. The tax credit is available for members of eligible agriculture value-added cooperatives in an amount equal to the lesser of 50 percent of the member's investment or $15,000, up to a maximum amount per project of $1,500,000 (these are the same limits as the **Missouri tax credit**). $4 million is available for tax credits on an annual basis. Ten percent of the tax credits are reserved for projects with capital costs equal to or less than $1 million. Additionally, 10 percent of the funds must be awarded to grant requests of $50,000 or less. If all of the $4 million is not used by producers during the first nine months of the fiscal year, the remaining funds can be utilized by the state to support feasibility studies, loans, loan guarantees, grants, and other forms of support for new co-ops and other types of community-based agricultural value-added businesses.

Oklahoma Producers Tax Credit

The Oklahoma Producers Tax Credit (H.B. 2959) passed in 1996, giving a value-added processing tax credit to farmers and ranchers. For every dollar an Oklahoma agricultural producer invests in an agricultural processing venture, they receive a 30% tax credit. Outside investors may invest in facilities, but do not qualify for the tax credit. The credit can be carried for 7 years.

The tax credit went into effect beginning in the 1997 tax year. The incentive was enacted to increase agricultural processing plants, increase venture capital opportunities, and provide additional revenue for Oklahoma ranchers and farmers. Due to the new credit, several new value added facilities are under development. Already operational is the Oklahoma Value-Added Products Cooperative (VAP). The co-op is owned by 750 farmers who run a $19 million plant that produces formed dough products (pizza shells, frozen breads, etc.).

North Dakota Agricultural Cooperative Income Tax Credit

In 2001 North Dakota lawmakers approved Senate Bill Number 2386, which gives a state income tax credit of up to a maximum of $6,000 annually for people who invest in agricultural processing cooperatives. The tax credit is equivalent to thirty percent of the amount invested in the cooperative by the taxpayer, up to a total annual investment of $20,000. Investors in cooperatives or limited liability corporations are eligible for the credit, so long as the business has an agricultural commodity processing facility in this state and is more than half farmer-owned.

Connecticut SB1081: inactive
The Department of Agriculture would establish and administer a program of matching grants to municipalities to further agricultural viability. Grants would be used for local capital projects that foster agricultural viability, including processing facilities.

Vermont HB522: adopted/law
Attempts to assure the long-term viability of Vermont agriculture by establishing goals for the state. This includes establishing a system whereby the state will follow its own "buy local" campaign by purchasing local food and dairy products. Also to establish a system for local producers and processors to market their products to state purchasing entities, in addition to establishing a system for state purchasing entities to advertise to and connect with local producers and processors. This bill also would establish a program in the Agency of Agriculture, Food, and Markets to provide strategic and technical assistance to local producers and processors for creating or enlarging the facilities necessary to produce or process food for sale to the state or other expanded markets.

Wisconsin SB89: active
Requires the Dept of Ag, Trade, and Consumer Protection to conduct a program to increase awareness and consumption of locally produced foods. In addition, this bill creates a grant program to expand facilities for the processing and distribution of food for local consumption; as well as creating or supporting networks of producers; and strengthening connections between producers, retailers, institutions, and consumers and nearby producers. This bill also appropriates money for the programs.

New York A8003: inactive
Would provide a program to increase financing for the development of processed and packaged foods grown in New York state for delivery to foodservice operation markets, including restaurants, schools, universities and other food service institutions. Includes loans, loan guarantees, interest subsidies and grants including interest subsidy grants to local or regional organizations that can be used to finance new construction, renovation or leasehold improvements and the acquisition of land, buildings, machinery and equipment.

Vermont Act 145 of 2006: Farm to School Law
Vermont has passed legislation that tries to strengthen the connection between schools and local farmers and farm products. Although relatively a small program, the training and food processing programs are excellent features to support local food production. The bill contains the following:

- Mini-grants of up to $15,000 for schools to:
    - purchase Vermont products
    - acquire cafeteria equipment to process fresh products
    - provide materials and professional development for teachers with food, farm and nutrition activities

    - take trips to local farms
- Training of food service staff on how to purchase and prepare Vermont products in school meal programs.
- Training of farmers on how to sell products to schools and other government agencies.
- Funding for a Vermont food processor to process locally grown products for schools and institutional markets, or for equipment for farmers to process products.

Researching strategies to increase use of locally grown products in Vermont schools and state agencies.

Minnesota SF591: active

Authorizes the Commissioner of Employment and Economic Development to designate family agricultural revitalization zones (FARMZ) for on farm agricultural processing facility projects under the job opportunity building zones (JOBZ) program and requires the commissioner to consider tax incentives.

New Mexico HJM45: adopted/law

Creates the New Mexico food and ag policy council to strengthen New Mexicans' access to sufficient, high-quality food and the economy of New Mexico's ranches, farms, and value-adding food processors.

New Mexico SB241: inactive

$150,000 would be appropriated from the general fund to the board of regents of the NM university system for expenditure in fiscal year 2007 for the NM Department of Agriculture to assist ag producers in the establishment of cooperatives.

New York A3717: inactive

Would establish a kitchen incubator/shared-use kitchen facility program to provide grant funding to local development corporations, municipalities, educational institutions and not-for-profit entities for the development or expansion of kitchen incubator/shared-use kitchen facilities which make available services such as food production, technical assistance, business management and marketing, distribution, storage and retailing assistance, particularly in economically distressed areas.

Montana HB223: inactive

Would fund six Montana Agriculture Innovation Centers to provide technical assistance and capital availability to food and agriculture entrepreneurs.

Montana HB716: inactive

Would establish a local foods grant program to help Montana schools develop relationships with local farmers and producers; require the development and implementation of educational opportunities for Montana farmers and food producers to increase their markets; provide for grants to food processing entities and local food cooperatives that process locally grown farm products for school and institutional markets and that rent equipment to local farmers and food producers in order to process products for sale; require a report to the Legislature, and provide a set-aside of funds from the Montana Growth through Agriculture Act to fund program grants.

Federal Tax Provisions: **Encouraging Value Added Cooperatives**

The Internal Revenue Code, Section 1042(g) is a provision passed by Congress in 1998 that allows the owners of agricultural and horticultural processing plants to defer the capital gains tax as long as they (1) sell to a farmers' cooperative whose members include the farmers who supply the facility, and (2) reinvest the proceeds in corporate stocks and bonds. The purpose of this tax break, according to the National Council of Farmer Cooperatives, is to give farmers a "tax-leveraged self-help mechanism to encourage them to move into further processing and capture a larger share of the nation's food dollar. The new provision helps to make farmer co-ops the buyers of choice for agricultural processing facilities and gives them enough leverage to negotiate an attractive price. The buyers must include growers responsible for at least 50% of the input to the plant.