Success Story

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Contact Person Location

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Title
Meeting Rural Economic Development Needs Through Feasibility Studies

Relevance
The USDA Rural Development office in Iowa has a mission to improve, develop and finance business, industry and employment in rural communities. By bolstering rural businesses, the goal is to also improve rural communities. One of the programs offered by USDA Rural Development is the Business and Industry Loan Guarantee program. Loans include but are not limited to the following:
1. Business and industrial acquisitions when the loan will keep the business from closing, prevent the loss of employment opportunities, or provide expanded job opportunities.
2. Business conversion, enlargement, repair, modernization, or development.
3. Purchase and development of land, easements, rights-of-way, buildings, or facilities.
4. Purchase of equipment, leasehold improvements, machinery, supplies, or inventory.
However, USDA does not have a good evaluation system for applicants and loans can be of a significant dollar amount.

Response
The Value Added Agriculture Program at Iowa State University Extension created a system to evaluate the feasibility of USDA loan applicants. We assemble a review team to conduct a thorough investigation of the due-diligence performed by rural businesses requesting our services.

Once the team is assembled, the general scope of our study is to provide a comprehensive look at all major operating elements. The study is conducted according to USDA-RD 4279-B called “A Guide for Completion of Feasibility Studies.” Our scope of study is based on five areas: economic, market, technical, management and financial. In 2011, VAAP conducted 10 full business feasibility studies, providing a thorough audit of these rural businesses. Total capital investments by these businesses moving forward totaled $77,920,000 with gross revenues of $84,824,000 and payrolls of $11,570,000. Additionally, staff conducted five market analysis studies for rural businesses in Iowa. Market analyses done by VAAP focus on businesses expanding rural development in Iowa. These market analyses had direct capital investments of more than $12 million to Iowa’s economy and an estimated payroll of $880,000 to Iowans.

Result

• Condition Changes
The feasibility system has been reviewed by the USDA Rural Development Office in Iowa. Because of the thoroughness of both the feasibility study and the market analysis reports, USDA now regularly sends loan applicants to the Value Added Agriculture Program for a full audit prior to approving the loan application. The number of feasibility studies done by VAAP has increased annually. Because of client demand, the market analysis product was added in 2011 with five completed.

Location / Participant(s) Came From

• Campus
• State

Partner(s)

• Business and Industry
• County Extension Staff
• Local Government/Agency