



Rural Business-Cooperative Service

Learning Objectives

- VAPG overview
- Recap: food hubs as applicants
- What's a Mid-Tier Value Chain & and why should we care?



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Value-Added Producer Grant

Authorization

Section 231 of the Agriculture Risk Protection Act of 2000 (P. L. 106-224), as amended by section 6202 of the Food, Conservation, and Energy Act of 2008 (P. L. 110-246)

(see 7 U.S.C. 1632a)

Program Regulation

7 CFR 4284 subpart J



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National Competition

Maximum Award Amounts

\$75,000 Planning

\$200,000 Working Capital



Matching Requirement

1-to-1 match (50 percent of total project costs) cash or eligible in-kind contributions to be used only for eligible project purposes.

Grant Period

Up to 36 months, depending on project complexity.

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Purpose

Provides funds for economic planning activities or eligible working capital expenses:

- To help agricultural producers enter into value-added activities related to the processing and marketing of agricultural products
- To expand markets for, and increase financial returns to agricultural producers
- To strengthen the rural economy





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Funding & Scoring Priorities

Funding Priority

- 10 percent of funding reserved for Beginning Farmers or Ranchers or Socially-Disadvantaged Farmers or Ranchers
- 10 percent of funding reserved for projects proposing Mid-Tier Value Chains



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Funding & Scoring Priorities

Scoring Priority

10 points will be awarded to applicants who request and qualify as:

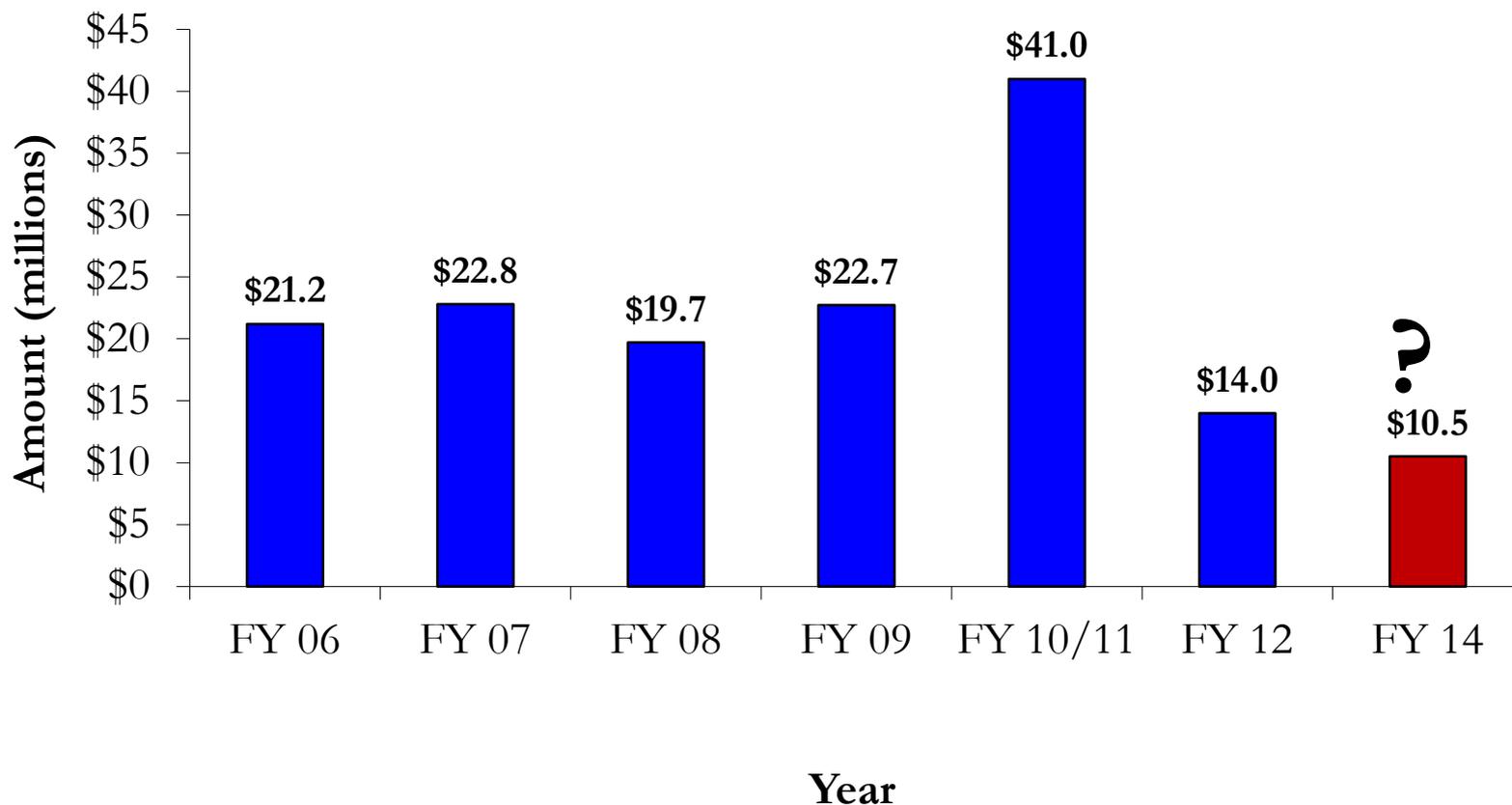
- Beginning Farmers or Ranchers
- Socially-Disadvantaged Farmers or Ranchers
- Small- or Medium-Sized Family Farms
- Farmer or Rancher Cooperatives
- Mid-Tier Value Chains



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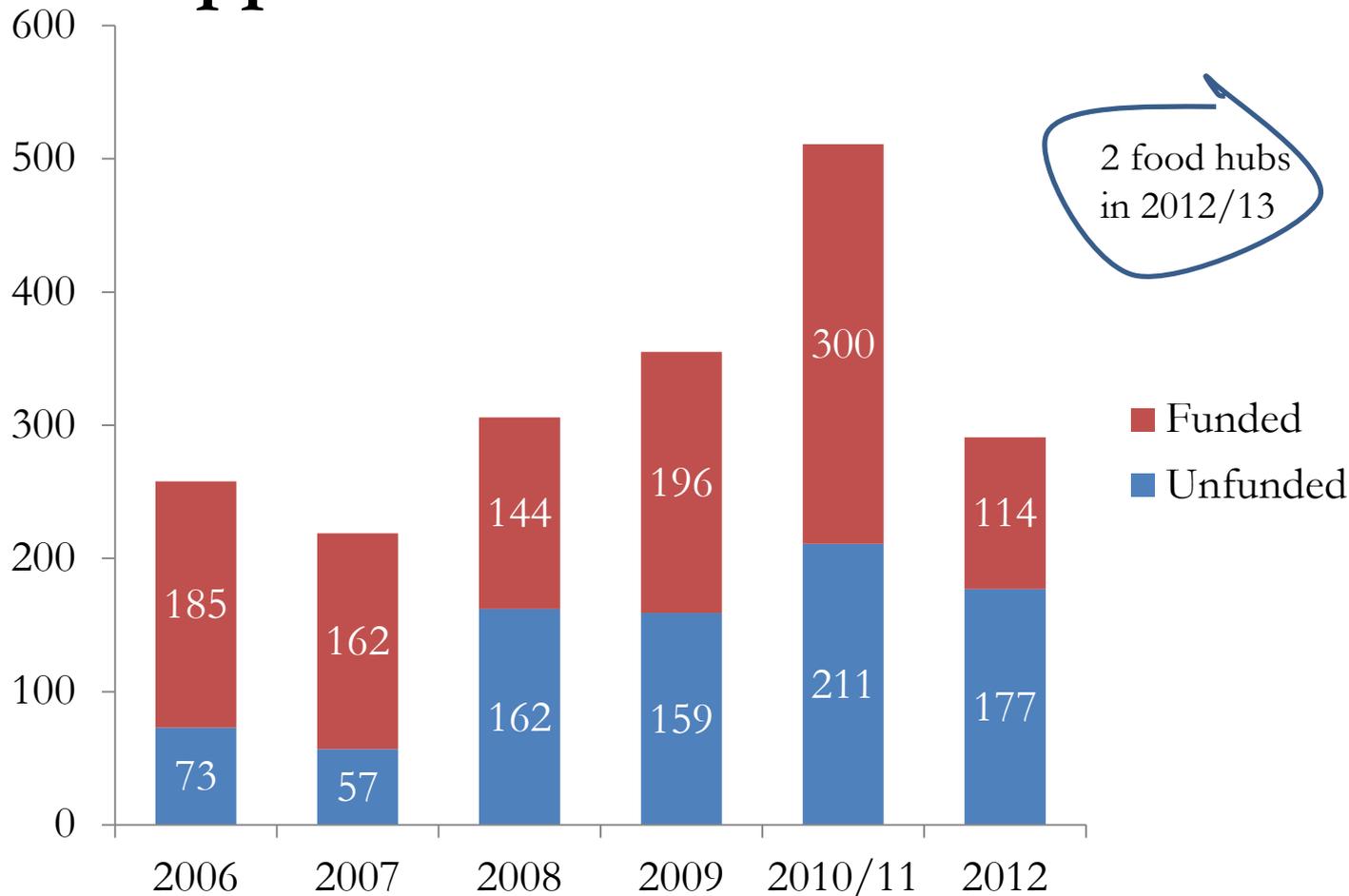
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Funding History



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Applications Received & Funded





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Basic Program Requirements

- Applicant eligibility
- Project eligibility
- Purpose eligibility
- Other eligibility requirements
- Evaluation criteria



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Applicant Eligibility

- Applicant type
- Multiple grant
- Currently active grant
- Reserve fund



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Applicant Eligibility

Remember this key definition:

Agricultural Producer

An individual or entity directly engaged in the production of an agricultural commodity, or that has the legal right to harvest an agricultural commodity, that is the subject of the value-added project.

Agricultural producers may “directly engage” either through substantially participating in the labor, management, and field operations themselves or by maintaining ownership and financial control of the agricultural operation.



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Four Eligible Applicant Types

- Independent Producers
- Agricultural Producer Groups
- Farmer or Rancher Cooperatives
- Majority-Controlled Producer-Based Businesses

is your food hub producer-based?



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Independent Producer

An individual agricultural producer or an entity that is solely owned and controlled by agricultural producers, that are directly engaged in the production of the subject agricultural commodity*.

*See definition of Agricultural Producer for explanation of 'directly engaged.'



Independent Producer...

- An independent producer entity may be a **steering committee** of individual IPs who will form a legal entity that meets the requirements of one of the 4 eligible applicant types.
- An independent producer may be an **agricultural harvester** if they have the legal right to harvest a primary (not residual) commodity. Examples: commercial fishermen, loggers.

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Agricultural Producer Group

- Formal membership organization-typically a non-profit- that represents Agriculture Producers and operates with a mission that includes working on behalf of Independent Producers.
- The majority of the applicant's membership meet the definition of Independent Producer.
- The majority of the applicant's board of directors meet the definition of Independent Producer.



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Farmer or Rancher Cooperatives

A business owned and controlled by agricultural producers that is incorporated, or otherwise identified by the state in which it operates, as a cooperatively operated business.*

*Note that agricultural harvesters do not meet the definition of a farmer or rancher and therefore are not eligible to apply as Farmer or Rancher Cooperatives.





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Majority-Controlled Producer-Based Business*

The majority of the financial and voting interest
belongs to Independent Producers.

*Only 10 percent of available funds will be awarded to
eligible applicants in this category.



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All Four Applicant Types *Must* :

- **Currently produce** and own more than 50 percent of the raw commodity that will be used for the Value-Added product.
- Own the product from its raw commodity state through the production of the Value-Added product during the Project (except for MTVC).

key components for food hubs...



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A word about raw commodity ownership...

- How does this apply to a producer or an entity that produces multiple commodities for the VAPG project? A CSA or a Food Hub, for example?

The producer-applicant must produce the majority of each type of raw commodity (each type of vegetable, for example) that the producer has identified for the project;



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Emerging Market

- *Agricultural Producer Groups, Farmer or Rancher Cooperatives, and Majority-Controlled Producer-Based Businesses*, must show that they are entering an emerging market as a result of the proposed project.
- Applicants cannot have supplied the proposed product, geographic or demographic market for more than two years at time of application submission.



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Project Eligibility

- Value-added product methodology
- Expansion of customer base
- Greater portion of the revenue from the process is returned to the producer



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Five Value-Added Methodologies

1. Change in physical state
2. Produced in a manner that enhances the value of the agricultural commodity
3. Product segregation
4. Farm- or ranch-based renewable energy
5. Locally-produced agricultural food product

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Change in Physical State

An irreversible processing activity that alters the raw agricultural commodity and enhances its value and is something other than a post-harvest process that primarily acts to preserve the commodity for later sale.

Examples include, but are not limited to-

- milk into cheese
- wheat into flour
- wool into clothing or rugs
- corn into E-85 ethanol
- livestock into packaged meat



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Produced in a manner that enhances the value of the agricultural commodity

- The value-added product results from the use of a recognizably coherent set of agricultural production practices in the growing of the raw agricultural commodity, such that a differentiated market identity is created for the resulting product.
- Nonstandard production method that adds value per unit of production over a standard production method, and demonstrates this by a quantifiable comparison with products produced in the standard manner.

Examples include, but are not limited to-

- organic carrots,
- eggs produced from free-range chickens.



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Product Segregation



Value-added product results from physically separating (i.e. distance or structure) the agricultural commodity from other varieties of the same commodity on the same farm during production and harvesting, with continued separation during the processing and marketing of the value-added product.

Example: GMO corn separated from non-GMO corn on the farm during production and harvesting, with continued separation through marketing.

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Farm- or Ranch-Based Renewable Energy

An agricultural commodity that is used to generate renewable energy on a farm or ranch owned or leased by the independent producer applicant that produces the agricultural commodity.

Examples include, but are not limited to-

- dairy manure into methane and electricity generated on the farm
- corn into biodiesel generated on the farm.

Generation of energy from wind, solar, geothermal or hydro sources are not eligible.



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Locally-Produced Agricultural Food Product



Any agricultural food product that is marketed and distributed within 400 miles of the product's origin or within the State in which the product is produced.

Examples include, but are not limited to-

- specific local grapes with characteristics attributable to the growing area sold to a winery that will produce a local wine;
- local sweet corn advertised and sold at a premium as a fresher locally-produced alternative to non-local produce.

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Project Eligibility, cont.

All applicants must demonstrate:

- Increase in customer base
- The greater portion of the revenue derived from the value-added process returned to producers





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Purpose Eligibility

- 2 types of grants
- Use of funds (including matching funds)
- Budget & work plan



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Purpose Eligibility

2 Types of VAPG Grants

Planning Grant

To pay a qualified (third-party) consultant for development of feasibility, marketing, business plan related to the processing and/or marketing of a value-added product

Working Capital Grant

To pay eligible project expenses related to the processing and/or marketing of a value-added product



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Purpose Eligibility, cont.

BUT WAIT!

**3 Types of Working Capital
Applications!**



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Purpose Eligibility, cont.

3 Types of Working Capital Applications

1) Requests of \$50,000 or more (market expansion)

- Independent Producer (IP) applicants only;
- Proposing market expansion of an existing value-added product that they have produced and successfully marketed for at least two years at time of application; and
- In lieu of an independent feasibility study for this project, must submit a business or marketing plan for the value-added project .



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Purpose Eligibility, cont.

3 Types of Working Capital Applications

2) Requests of \$50,000 or more (emerging market)

- All applicant types;
- Must provide a third-party, project-specific feasibility study and a business plan related to the processing and/or marketing of the value-added product.



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Purpose Eligibility, cont.

3 Types of Working Capital Applications

3) Simplified application requesting less than \$50,000

- All applicant types;
- Not required to provide a feasibility study and business plan, but must demonstrate the expected increases in customer base and revenue returns to the producer applicants supplying the majority of the agricultural commodity for the project.



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Purpose Eligibility, cont.

How may funds be used?

Examples of costs for eligible activities include but are not limited to:

- Processing costs including labor, utilities, packaging and labeling, ingredients;
- Additional raw commodity inventory from third parties (up 49% of the total amount required for the project)
- Advertising and promotion
- Financial/accounting systems/software

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Purpose Eligibility, cont.

How may funds be used?

Examples of costs for Ineligible activities include but are not limited to:

- Construction of facilities
- Purchase of equipment or vehicles
- Cost related to production, harvest, or delivery of the raw commodity
- Engineering or architectural design



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Matching Funds

must be...



- Equal to at least the grant amount (at least 50 percent of total project costs).
- Spent only on eligible expenses;
- Spent in advance of grant funding (for every dollar of grant funds disbursed, not less than an equal amount of matching funds will have been expended prior to submitting the request for reimbursement);
- From eligible sources without a real or apparent conflict of interest
- Verified at time of application and confirmed at award



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Matching Funds, cont.

Must be in the form of:

- Applicant cash, loan, or line of credit; and/or
- Applicant or family member in-kind contributions of goods or services (applicant provided services limited to 25 percent of total project costs); and/or
- Third-party cash or
- Third-party in-kind contribution, including non-federal grant sources.



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Work Plan & Budget

Provide a detailed work plan and budget that shows:

- how the project's goals will be accomplished including a narrative description of the eligible activities and associated tasks;
- a budget breakdown of estimated costs allocated to those activities and tasks;
- identification of the key personnel responsible for overseeing and/or conducting the activities or tasks



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Work Plan & Budget, cont.

- timeframes for completion of activities and tasks;
- identification of the sources and uses of grant and matching funds for all activities and tasks; and
- a grant period that meets start and end date requirements.



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Other Eligibility Requirements

- Grant Period
- Completeness
- Multiple Grant
- Active Grant



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Evaluation Criteria

- Performance evaluation criteria
- Proposal evaluation criteria



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Proposal Evaluation Criteria

The Agency selects and ranks applications based on responses to 5 criteria:

1. Nature of the proposed project (0-30)
2. Qualifications of project personnel (0-20)
3. Commitments and support (0-10)
4. Work plan and budget (0-20)
5. Priority points (0 or 10)



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QUESTIONS?



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Re-cap: Food Hub as VAPG Applicant

1) Must be structured as one the four eligible producer-based entities:

- Independent Producer
- Farmer or Rancher Cooperative
- Agricultural Producer Group
- Majority Controlled Producer Based Business



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Re-cap: Food Hub as VAPG Applicant

Applicant must:

- Produce more than 50 percent of the raw commodity to which value will be added
- And maintain ownership from raw commodity through the value-added process (except for MTVC).



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Re-cap: Food Hub as VAPG Applicant

- 2) Be engaged in one or more of the five value-added methodologies;
- 3) Use funds for eligible planning or working capital activities;
- 4) Comply with all other program eligibility requirements



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What about Mid-Tier Value Chains and Why Should We Care?



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What's a Mid-Tier Value Chain?

Local or regional supply network of interconnected entities moving agricultural products of small to mid-size producers from production to end-user in a local or regional area.

These networks are built on strategic business relationships that emphasize interdependence, trust, and transparency; and equitable distribution of responsibilities and rewards across the chain.



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What's a Mid-Tier Value Chain?

For the purpose of the VAPG program, a MTVC project must:

- Targets and strengthens the profitability and competitiveness of small- and medium-sized farms and ranches that are structured as a Family Farm; and
- Demonstrates linkage with an eligible Agricultural Producer Group, Farmer or Rancher Cooperative, or Majority-Controlled Producer-based Business engaged in the value-chain on a marketing strategy.

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Who are MTVC Participants?

Grant Applicant:

- Independent Producer, Agricultural Producer Group, Farmer or Rancher Cooperative, or a Majority-Controlled Producer-based Business.
- Produce and own more than 50% raw commodity.
- Applicant ownership of the agricultural commodity and value-added product from raw through value-added is not required in a MTVC project, as long as the proposal demonstrates an increase in customer base and an increase in value-added derived revenue returning to the applicant producers supplying the majority of the agricultural commodity for the project.





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MTVC Participants

Supply Chain Network

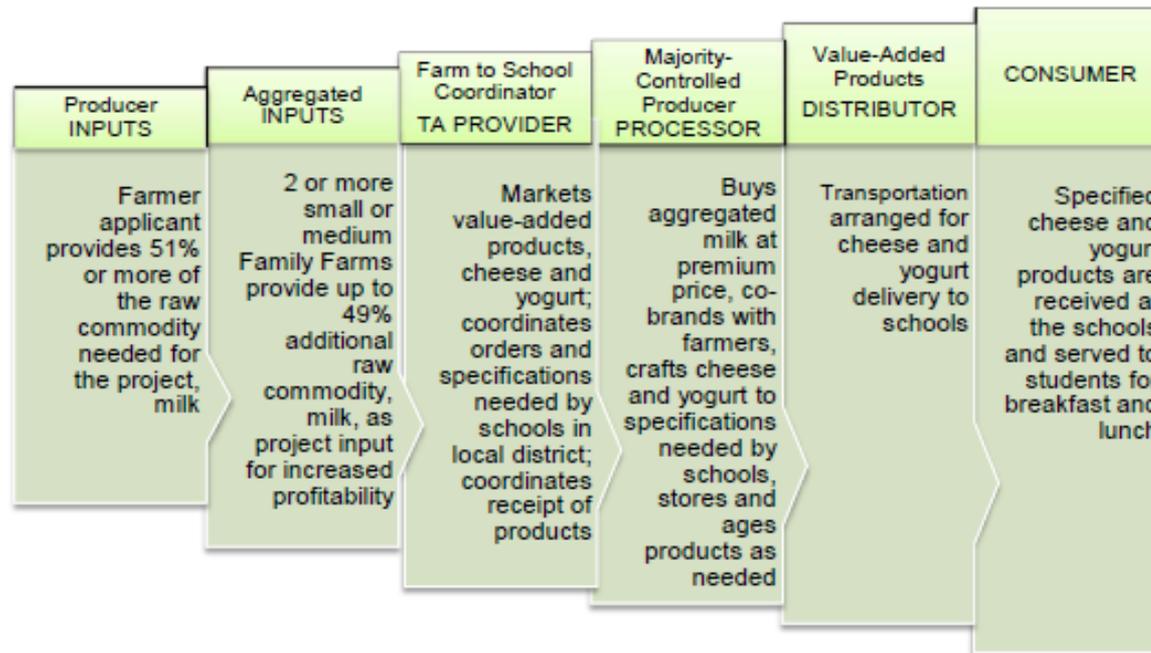
- Agricultural producers (including small- or medium-sized Family Farms), processors, marketers, warehouse owners, distributors, wholesalers, retailers, consumers, and businesses that provide technical assistance to create or support network operations (i.e. farm-to-school coordinator, consultants)
- National entities as part of the supply network are allowed **ONLY IF** they serve a limited and well-defined local or regional USA market for the project (i.e. Wal-Mart participates in a local farmer produce market)

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Example

MTVC: Farm-to-School, Dairy

In this example, milk is aggregated from multiple farmers in order to supply the volume required by the identified schools. The milk is sold to a cheese processor at a premium price for producers, and is co-branded and manufactured into cheese and yogurt products in accord with school specifications identified by the TA provider. A distributor is contracted to deliver the cheese and yogurt products to the identified schools, which is served to students for breakfast and lunch.





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You should care because...

As the applicant, a food hub would be

- Eligible for Reserved Funds and/or Priority Points
- Applicant ownership of the product from raw commodity through the value-added process is not required as long as the applicant producer(s) experience increased returns from the sale of the value-added product.
- Some down-stream processing/marketing expenses incurred by partners in the chain may be eligible program expenses.



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And...

If the food hub is not one of the four eligible applicant types (i.e., not producer-based) food hub can participate in an MTVC project as a one of the partners, alliances, linkages, but not as the applicant.



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Challenges

MTVCs must operate within the framework and constraints of VAPG program structural requirements, (2+ linkages including 1 to an eligible, cooperative, agricultural producer group or majority-controlled producer-based business; AND demonstrating benefits to 2+ small-medium sized family farms).



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QUESTIONS?



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Resources

Program Regulation 7 CFR 4284-J

NOFA

Application Toolkits

State Office Contacts

Topic-specific Information Sheets

http://www.rurdev.usda.gov/BCP_VAPG.html



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