Rural Business-Cooperative Service

Value-Added Producer Grant 101
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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VAPG

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
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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Available Funding

Approximately $10.5 million in carry over funding from FY2013 plus any additional funding forthcoming from Congressional enactment of a full-year appropriation for FY 2014.

Should additional funding be made available during FY 2014 for this program RBS will continue to fund applications received under this announcement based upon the applications score.
Basic Program Requirements

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

• Applicant type
• Multiple grant
• Currently active grant
• Reserve fund (as applicable)
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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.
Four Eligible Applicant Types

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

- Formal membership organization that represents Agriculture Producers that meet the VAPG program definition requirements for an Independent Producer 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.
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.
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).
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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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Multiple Grant Eligibility

• Applicants (including separate, but related entities with greater than 75% common ownership) may not submit more than one application in response to this solicitation.

• Applicants for Working Capital grants may not submit applications for the same project that has previously received Working Capital funds.
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Currently Active Grant

Applicants with an active value-added grant must close out that grant within 90 days of the application deadline to be eligible for the subsequent competition.
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**Reserve Fund Eligibility**

- 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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Reserve Fund Eligibility

Beginning or Socially-Disadvantaged Farmers or Ranchers

• Project must demonstrate a benefit to BFRs or SDFRs.

• 100% of the ownership/membership of applicant entities must be BFRs or SDFRs.
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Reserve Fund Eligibility

Beginning Farmers or Ranchers

- BFRs: none of the individual owners or members have owned and operated a farm or a ranch for more than 10 years.
- Use IRS records or statement from CPA or attorney that applicant had no farm income in the last 10 years.
- Describe how the project benefits BFRs
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Reserve Fund Eligibility

Socially-Disadvantaged Farmers or Ranchers

• Self-certification from each applicant owner that they are a member of a socially-disadvantaged group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group, without regard to their individual qualities.

• Describe how the project benefits SDFRs
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Reserve Fund Eligibility

Mid-Tier Value Chain

• Demonstrate that they are proposing a local and regional supply network that links independent producers with businesses that market value-added agricultural products in a manner that:
  • Document linkages to businesses in the chain; and
  • Demonstrate benefits to small- or medium-sized family farms.
  • See Toolkit Appendix E for a full explanation of requirements
Project Eligibility

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

• Change in physical state
• Produced in a manner that enhances the value of the agricultural commodity
• Product segregation
• Farm- or ranch-based renewable energy
• Locally-produced agricultural food product
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
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.
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.
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
• Greater portion of revenue derived from the value-added process returned to the producer.
Expansion of customer base

Discuss the estimated expansion of customer base that results from the value-added product, including a baseline of current customers for the commodity or value-added product, and an estimated target number of customers that will result from the project.
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Project Eligibility, cont.

**Greater portion of revenue returned to producer**

Discuss the estimated amount of the increased revenue derived from the value-added processing/marketing that will be available to the producer applicants, including a baseline of current revenues from the sale of the agricultural commodity or value-added product, and an estimated target of increased revenues that will result from the project.
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Purpose Eligibility

• 2 types of grants
• Use of funds
• Budget & work plan
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Purpose Eligibility

2 Types of VAPG Grants

1) **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.

2) **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 Grant Applications
3 Types of Working Capital Grants

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.
3 Types of Working Capital Grants

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.
3 Types of Working Capital Grants

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.

**Use of Funds**

**Examples of costs for eligible activities** (see 4284.923) 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
Use of Funds

Costs for **ineligible activities** (see 7 CFR 4284.924) include but are not limited to:

- Purchase of land, buildings or equipment
- Preparation of the grant application,
- Research and development, architectural or engineering design work
- Expenses for the production, harvesting or delivery to a processing facility of any agricultural commodity or product
Use of Funds, cont.

• Applications with ineligible expenses of more than 10 percent of total project costs will be ineligible to compete for funds.

• Applications selected for award that contain ineligible expenses of 10 percent or less of total project costs must remove those ineligible expenses from the final project budget.
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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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Work Plan & Budget, cont.

- If **Program Income** is earned during the grant period as a result of the project activities, it must be managed and reported accordingly.

- Program Income means gross income earned by the grantee that is directly generated by a supported activity or earned as a result of the grant, including, but not limited to income from the sale of commodities or products produced under the grant.
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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
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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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Matching Funds, cont.

Must be verified at application and confirmed at award:

• Equals at least 50% of total project cost
• Eligible source
• Eligible use
• Available during the grant period
Other Eligibility Requirements

• Grant Period
• Completeness
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Grant Period Eligibility

• Maximum timeframe of 36 months in length from the date of award (date of grant agreement execution). **Note**: this is not open-ended. Each project’s grant period will be based on the project’s complexity, as indicated in the application work plan.

• Extensions of up to 12 months will be considered only if for unavoidable or unforeseen circumstances. (**Note**: no grant may extend beyond 36 months, therefore no extension is available for grants with 36 month grant periods).
Completeness Eligibility

- Applications must contain all required elements to be eligible to compete for funds.
- Information submitted after the application deadline will not be accepted.
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Evaluation Criteria

• Performance evaluation criteria
• Proposal evaluation criteria
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Performance Evaluation Criteria

• Applicant suggests one or more relevant criterion to be used to evaluate whether or not the primary goals and objectives of the project are being met.

• All applicants estimate how many jobs are expected to be created or saved as a result of the project?

• Working capital applicants record data on expansion of customer base and increase in revenue from the Applicant eligibility section.
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Proposal Evaluation Criteria

9.2 A+ 7 B- Yum
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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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**Priority Points**

10 priority points will be awarded to all applicants that request the priority points and demonstrate eligibility for one of the following priority categories:

- Beginning Farmer or Rancher*
- Socially Disadvantaged Farmer or Rancher*
- Mid-Tier Value Chain Project
- Small- or Medium-sized Farm structured as a Family Farm
- Farmer or Rancher Cooperative

*For BFR and SDFR priority points, applicant ownership or membership must be **51%** or more BFRs or SDFRs, respectively.
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Tools for Applicants

(and for you too!)
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Outreach Fact sheets
- General program Info
- Locally-produced food
- Anaerobic digesters
- Harvesters
- Mid-tier value chain
- …and more!
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for 2014!

Comprehensive Toolkits for Planning and Working Capital

FY2013 Value-Added Producer Grant Program
APPLICATION TOOLKIT for PLANNING GRANTS

FY2013 Value-Added Producer Grant Program
APPLICATION TOOLKIT for WORKING CAPITAL GRANTS
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Checklists to ensure complete applications
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Links to required forms and necessary resources, including:

- SF 424s
- AD 3030
- Program regulation
- NOFA
- And more!
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Links to DUNS and SAM
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Individual OPTIONAL templates for Planning and Working Capital applications.
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**Simplified Budget Templates**

<table>
<thead>
<tr>
<th>Activity #</th>
<th>Task Name, Description, and Responsible Party</th>
<th>Start Date</th>
<th>End Date</th>
<th>VAPQ Funds</th>
<th>Cash Matching Funds</th>
<th>In-Kind Matching Funds</th>
<th>Total Project Costs</th>
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<td>TOTAL PROJECT</td>
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Working Capital applications must include an estimate of Program income expected to be earned during the grant period. Further quantification of Program income and its projected-use will be confirmed by applicants selected to receive grant funding, and will be subject to agency approval in a final budget post-award.

| Gross income expected to be generated by project activities during the startup phase | $|
| (minus) costs related to the generated Program income that will not be charged to the award | $|

**Estimated Program Income (subtract line 2 from line 1) | $|

**d. Task Budget Format**

Provide a budget table for each task that will be completed for each main activity listed above. Add additional task tables as needed.

<table>
<thead>
<tr>
<th>Task #1 Budget Categories</th>
<th>VAPQ Grant Funds</th>
<th>Cash Matching Funds</th>
<th>In-Kind Contributions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

**Program Income estimate (WC only)**

**Individual Task Budget Templates**
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Appendices

• Guidance for tribal applicants
• Attachment points for required documentation
• Matching fund verification templates
• Reserve fund and priority point eligibility guidance
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Tools…

GLS Users Guide for VAPG
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Application Processing & Award...

Who is responsible for what?
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State Office Responsibilities

1. Application Receipt & Handling
2. Eligibility Determination
3. Scoring
4. Award Administration
5. Monitoring
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National Office Responsibilities

• Provide policy and program guidance
• Draft program announcements
• Coordinate the Independent Reviews and recruit non-Federal Independent Reviewers
• Aggregate eligibility determinations and scores
• Perform Quality Control for eligibility determinations.
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National Office Responsibilities, cont’d

• Develop funding recommendation for the Administrator
• Coordinate the announcement of the grant awards
• Allocate funds to State accounts
• Assist on appeal hearings, on request.
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QUESTIONS?
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**Coming Up**

- **VAPG Application Processing & Review**
  Friday, January 10, 1:30 pm EST

- **VAPG & Tribal Entities**
  Tuesday, January 14, 1 pm EST
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