

VALUE-ADDED PRODUCER GRANT
Mid-Tier Value Chain Proposals

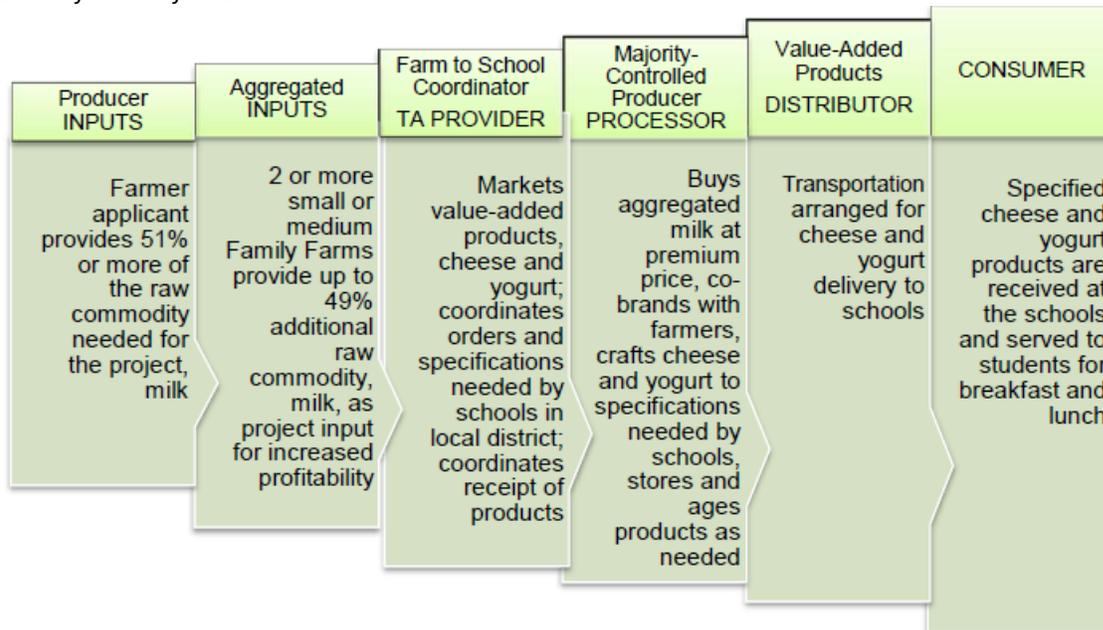
What is a Mid-Tier Value Chain (MTVC)?

- A supply network in which agricultural products move from production through consumption in a local or regional market due to the cooperation and aggregation of small or mid-scale producer inputs; strategic business relationships that emphasize organizational interdependence (different competencies), trust, and transparency; and equitable distribution of responsibilities and rewards across the chain.
- The supply network must link Independent Producers with businesses and cooperatives that market value-added agricultural products in a local or regional geographic area in a manner that:
 - a) targets and strengthens the profitability and competitiveness of small- and medium-sized farms and ranches that are structured as a Family Farm; and
 - b) demonstrates agreement 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.
- Typical links in the chain:

Producer Inputs → Aggregated Inputs →TA Provider/Marketer →Processor →Distributor →Consumer

Example of 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.



- Applicant must currently produce and own more than 50 percent of the subject agricultural commodity.

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Transfer arrangements within the Value-Chain: Applicant ownership of the agricultural commodity and value-added product from raw through value-added is not necessarily 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.

MTVC Participants

- Grant Applicant: Independent Producer, Agricultural Producer Group, Farmer or Rancher Cooperative, or a Majority-Controlled Producer-based Business
- 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, CEDO 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)

MTVC Farmers and Ranchers

- Treated as strategic partners, not as interchangeable input suppliers
- Participate fully in value-chain decisions: risk-taking, governance
- Negotiate prices based on production and transaction costs, plus a reasonable margin
- May control brand identity up the supply chain or co-brand with strategic partners

Resources: Applications must meet ALL program requirements

- VAPG website: <http://www.rd.usda.gov/programs-services/value-added-producer-grants>
- Application Toolkits
- Program Regulation 7 CFR 4284-J published May 8, 2015
- Federal Register Notice of Funding Availability
- Program Information Sheets
- Rural Development State Offices: 1-800-670-6553, then press “1” or <http://www.rd.usda.gov/contact-us/state-offices>.
- Agricultural Marketing Resource Center website: <http://www.agmrc.org>