

# Value-Added Producer Grant Program

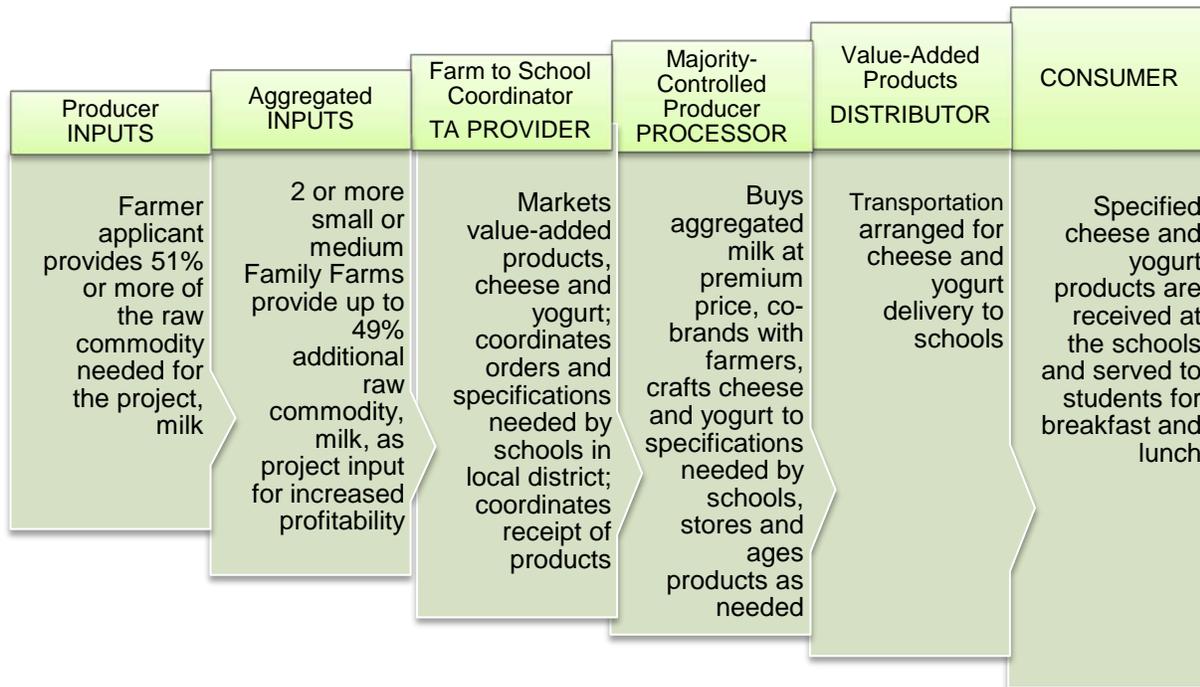
Target: Mid-Tier Value Chain

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

- A supply network wherein 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.
- **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.rurdev.usda.gov/BCP\\_VAPG.html](http://www.rurdev.usda.gov/BCP_VAPG.html)
- Rural Development State Offices: 1-800-670-6553, then press "1" or <http://www.rurdev.usda.gov/StateOfficeAddresses.html>
- Agricultural Marketing Resource Center website: <http://www.agmrc.org>

## Example of MTVC Project Funded with VAPG Planning Grant

**Gamill Farms Partnership**, a multi-generational family-owned farm near Tyrone, Arkansas, received a \$50,000 economic planning grant to determine feasibility and develop a business and marketing plan for a Mid-Tier Value Chain proposal that will convert corn and rice stover (waste) into fertilizer. The mixture will also use Glycerol waste from a local biofuel refinery to fabricate the fertilizer and will undergo a pyrolysis/gasification process to become a nitrogen and hydrogen (NH<sub>3</sub>) fertilizer product for application to corn and rice fields. The economic studies and analyses will research tax credits and accelerated depreciation for the project, explore permitting requirements, and identify additional biomass sources and markets for the fertilizer.

The proposed value-chain supply network for this project includes aggregation of biomass from multiple farms, including two small family farms that will sell their biomass waste product to the Partnership at increased margin due to the value-added fertilizer proposal, and retain an option to buy discount fertilizer and/or invest in the future business post-economic planning. Other strategic partners in the chain include a processor to convert the corn and rice stover into fertilizer; a Family Farm Group in Illinois that will market the fertilizer to their 843 members, and a designated hazardous material transportation hauler to deliver the fertilizer to end-markets/consumers.