

RD AN No. 4803 (4284-J)
May 17, 2016

TO: State Directors, Rural Development
ATTN: Business Programs Directors
SUBJECT: Value-Added Producer Grant Program
Scoring Criterion 3: Matching Contributions and Multiple Producers

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify (1) the meaning of “quality of contributions” and “strong financial support” and (2) scoring of projects involving multiple producers versus a single producer under 7 CFR Part § 4284.942 (b)(3).

COMPARISON WITH PREVIOUS AN:

There are no previous ANs issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Section 231 of the Agriculture Risk Protection Act of 2000 (Pub. L. 106–224) as amended by section 6203 of the Agricultural Act of 2014 (Pub. L. 113-79) (*see* 7 U.S.C. 1632a (b)) authorizes the establishment of the Value-Added Agricultural Product Market Development grants, also known as the Value-Added Producer Grant (VAPG). The program is designed to help eligible producers of agricultural commodities enter into or expand value-added activities including the development of feasibility studies, business plans, and marketing strategies. The program will also provide working capital for expenses, such as implementing an existing viable marketing strategy.

EXPIRATION DATE:
May 31, 2017

FILING INSTRUCTIONS:
Preceding RD Instructions 4284-J

“Commitments and Support” refers to one of the four scoring criteria which requires demonstration of commitment and support from producers, end-users, and third-party supporters in accordance with 7 CFR§ 4284.942 (b)(3). This section reads (emphasis added):

*“Producer commitments to the project will be evaluated based on **the number of Independent Producers currently involved in the project; and the nature, level and quality of their contributions.** End-user commitments will be evaluated on the basis of potential or identified markets and the potential amount of output to be purchased, as evidenced by letters of intent or contracts from potential buyers referenced within the application. Other third-party commitments to the project will be evaluated based on the critical and tangible nature of the contribution to the project, such as technical assistance, storage, processing, marketing, or distribution arrangements that are necessary for the project to proceed; and the level and quality of these contributions. Applications that demonstrate the project has strong direct financial, technical and logistical support to successfully complete the project will receive more points than those that demonstrate less potential for success in these areas.”*

The *Federal Register* Notice provides further clarification of how points are to be awarded based on the level of or quality of those contributions to the project. Point breakdowns for this criterion have not been sufficiently clear that projects involving more than one agricultural producer would receive more points. In addition, although the program regulation refers to “quality of their contributions” and indicates that applications demonstrating “strong direct financial” support will receive more points, neither the regulation nor the Notice has explicitly indicated what this means in terms of the nature of matching contributions.

The VAPG Notice for fiscal year (FY) 2016 was updated to include further guidance indicating that applicants will receive more points if their project includes (1) involvement by multiple producers and (2) cash matching contributions rather than in-kind contributions.

The “Commitment and Support” criterion in the FY 2016 VAPG Notice reads as follows (emphasis added): *“Applications that demonstrate the project has strong direct financial support **in the form of cash matching contributions,** and strong technical and logistical support to successfully complete the project will receive more points than those that demonstrate less potential for success in these areas. In addition, the point breakdowns have been amended as follows (emphasis added).*

Points will be awarded as follows:

- (i) *0 points will be awarded if you do not substantively address the criterion.*
- (ii) *1-3 points will be awarded if **you are the only producer participating in the project,** AND show real, direct support from at least one end-user or third-party contributor.*

(iii) 4 -6 points will be awarded if you, as the applicant, are the only producer participating in the project AND show strong financial commitment **in the form of cash matching contributions to the project** AND measurable commitment or interest in purchasing the value-added product from at least one end-user; AND commitment or tangible support from at least one other third-party contributor; **OR you, as the applicant, demonstrate participation from multiple producers**, AND measurable commitment or interest in purchasing the value-added product from at least one end-user; AND commitment or tangible support from at least one third-party contributor.”

(iv) 7-10 points will be awarded if you, as the applicant, show strong financial commitment to the project **in the form of cash matching contributions**, AND participation from additional producers, AND measurable commitment or interest from multiple end-users, AND commitment or tangible support from multiple third-party contributors.

Producers participating in the project means the applicant as a sole proprietor or as an entity with multiple eligible owner or member producers who are identified (by name or by class in the case of Agricultural Producer Groups or Cooperatives) in the application.

Examples:

- A sole proprietorship would count as a single producer.
- A LLC made up of five eligible producer members would count as multiple producers.
- A family farm made up of a husband and wife, both of whom are eligible agricultural producers, would count as multiple producers.
- A cooperative with 1,000 total members, with only 100 producers participating in the project, would claim multiple producers but count only the 100 producer participants.
- For Mid-Tier Value Chain projects, the required linkages to small or medium-sized family farms would be recognized as multiple producers, provided they are identified in the application and their level of participation demonstrated.

Strong financial commitment means cash matching contributions. A cash match must be in the form of cash (originating from applicants or third-parties), line of credit, or loan, committed to the project as documented in the budget and properly verified per the application template. Please note that because points are awarded specifically for committing cash to the project, substituting in-kind match after a project is awarded will not be possible.

The point distributions in paragraphs (iii) and (iv) above allow room to determine what is a strong financial commitment. In both cases, more points would be awarded to applications whose cash contribution made up a majority of the total required match versus those that committed a smaller proportion in cash.

Based upon these clarifications, please understand the following:

- A single producer who does not provide cash matching contributions cannot score more than 3 points.
- A single producer who provides cash matching contributions and meets the other requirements in paragraph (iii) above can receive from 4 to 6 points, depending on the level of that cash contribution.
- A project involving multiple producers can receive from 4 to 6 points in paragraph (iii) above without providing a cash matching contribution but can receive up to 10 points if it provides a cash match and meet the additional requirements in paragraph (iv) above.

If you have any questions regarding this AN, please contact Shantelle Gordon at 202-720-1394, shantelle.gordon@wdc.usda.gov or Tracey Kennedy at 202-568-9943, tracey.kennedy@wdc.usda.gov.

/s/ SAMUEL H. RIKKERS

SAMUEL H. RIKKERS
Administrator
Rural Business-Cooperative Service