



**Rural Development**

Office of the Administrator

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RD AN No. **4868** (4284-J)  
April 1, 2019

TO: State Directors, Rural Development  
ATTN: Business Programs Directors  
SUBJECT: Value Added Producer Grant Program  
Definition and Guidance for Market Expansion Applications

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to define ‘market expansion’ and clarify eligibility language in the program regulation at 7 CFR § 4284.922(6)(i).

**COMPARISON WITH PREVIOUS AN:**

This AN replaces RD AN 4866 (4284-J) dated February 21, 2019.”

**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) program. 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 also provides working capital opportunities to assist in the processing of value-added products or implementation of marketing strategies. However, while the VAPG program is meant to provide assistance to viable businesses, its intent is not to serve as an on-going source of capital.

EXPIRATION DATE:  
February 28, 2020

FILING INSTRUCTIONS:  
Preceding RD Instructions 4284-J

## DISCUSSION

Market expansion refers to a type of application that may be submitted only by Independent Producer applicants. Other types of applicants—Agricultural Producer Groups, Farmer or Rancher Cooperatives, and Majority-Controlled Producer-Based Businesses—are required to submit Emerging Market applications. The program regulation at 7 CFR §4284.902 provides a definition for Emerging Market but does not provide a corresponding definition of market expansion.

The regulation addresses market expansion at §4284.922(b)(6)(i) as follows: *“An Independent Producer Applicant seeking a Working Capital Grant of \$50,000 or more, who can demonstrate that they are proposing market expansion for an existing Value-Added Agricultural Product(s) that they currently own and produce from at least 50 percent of their own Agricultural Commodity and that they have produced and marketed for at least 2 years at time of application submission, may submit a Business Plan or Marketing Plan for the value-added project in lieu of a Feasibility Study. The Applicant must still adequately document increased customer base and increased revenues returning to the Applicant producers as a result of the project in their application and meet all other eligibility requirements. Further, the waiver of the independent Feasibility Study does not change the proposal evaluation or scoring elements that pertain to issues that might be supported by an independent Feasibility Study, so Applicants are encouraged to well-document their project plans and expectations for success in their proposals”*.

Based on frequent inquiries from field staff and applicants regarding what constitutes expansion of a market, the term market expansion needs a definition to clarify acceptable work plan tasks and uses of funds. A frequent issue involves whether a market expansion applicant can use grant funds to ‘do what they are already doing.’

## AGENCY POSITION

Market expansion projects are limited to Independent Producers who have produced and marketed a product for at least 2 years at the time of application, provided that the applicant can demonstrate that expanding the market will result in an increased customer base and increased revenues returned to the Independent Producers as a result of the project.

The language in the program regulation above references the need to document expansion of customer base. In addition, §4284.931(b)(2)(i) discusses expansion of customer base as a required performance evaluation criterion including a baseline of number of customers. Instructional language in the regulation also points to the optional application package, which requires documentation of baseline and targeted numbers of customers. Finally, the regulation at §4284.926 (o) also discusses that duplicating current services or replacing or substituting support previously provided are ineligible expenses for the program. Therefore, expenses related to current customers would not be eligible for a market expansion project.

Because regulations and other program documents repeatedly discuss expansion of customer base in terms of number of customers, it follows that market expansion projects are limited to

production and marketing of existing products to demonstrably new markets **or** new customers within existing markets.

Thus, the Agency defines a market expansion project as follows:

*Market expansion project: A project in which the Independent Producer applicant seeks to expand the market for an existing value-added product (produced and marketed by the applicant for at least 2 years at time of application) through sales to demonstrably new markets **or** new customers in existing markets.*

The Agency recognizes that certain program-funded marketing efforts such as trade shows and other broad promotional activities may result in incidental increases in sales to existing customers. However, market expansion applications that do not convincingly demonstrate that grant and matching funds focus on supporting sales to new customers, with a resulting expansion in customer base and revenue returned to producers, will be deemed ineligible. Market expansion applicants can demonstrate that the focus is on new customers by including:

- Demonstration that the project will result in an expansion of number of customers for the proposed project with resulting increased revenues returned to participating producers.
- Detailed workplan, budget, and scoring criteria discussion of project components focusing on attracting new customers.

If you have any questions regarding this AN, please contact Tracey Kennedy at 202-568-9943, [tracey.kennedy@wdc.usda.gov](mailto:tracey.kennedy@wdc.usda.gov) or Honie Turner at 202-401-0088, [honie.turner@wdc.usda.gov](mailto:honie.turner@wdc.usda.gov).

/s/ **Bette B. Brand**

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