



Rural Development

Office of the Administrator

Rural Business–Cooperative
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RD AN No. 4865 (4284-J)
February 21, 2019

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:

This AN replaces RD AN No. 4843 (4284-J).

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:
February 29, 2020

FILING INSTRUCTIONS:
Business and Cooperative Programs

“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) 2019 and any future notices will continue to include 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. In addition, the scoring rubric for Criterion 3 has been simplified to remedy issues regarding gaps in point distributions which have resulted in wide-spread scoring errors.

The Commitment and Support criterion will read as follows:

Commitments and Support (graduated score 0 - 10 points).

Producer, end-user, and third-party commitments will be evaluated under this criterion.

Applications involving multiple producers and/or strong financial commitment in the form of cash matching contributions will receive more points. As a result, sole proprietors can receive a maximum of 9 points and applications involving multiple producer applications can receive a maximum of 10 points.

- 1) *Producer commitments to the project will be evaluated based on the number of named and documented independent producers currently involved in the project; and the nature, level, and quality of their contributions.*
- 2) *End-user commitments will be evaluated based on potential or identified markets and the potential amount of output to be purchased, as indicated by letters of intent or contracts (purchase*

orders) from potential buyers referenced within the application. Applications that demonstrate documented intent to purchase the value-added product will receive more points.

3) *Third-party commitments to the project will be evaluated based on the critical and tangible nature of their 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 strong technical and logistical support to successfully complete the project will receive more points.*

Letters of commitment by producers, end-users, and third-parties should be summarized as part of your response to this criterion, and the letters must be included in Appendix B. Please note that because applications with cash matching contributions are awarded more points than those pledging only in-kind contributions, applicants will not be able to substitute an in-kind match for cash after awards are made.

Points will be awarded as follows:

(i) 0 points will be awarded if you do not address the criterion

(ii) Independent Producer Commitment

a) *Sole Proprietor (one owner/producer): 1 point*

b) *Multiple Independent Producers (note: in cases where family members, such as husband and wife, are eligible Independent Producers, each family member will count as one Independent Producer): 2 points*

(iii) Level of Commitment

a) *All matching contributions are in-kind: 1 point*

b) *Matching contribution consists of both cash and in-kind: 2 points*

c) *All matching contributions are cash: 4 points*

(iv) End-user commitment:

a) *No or insufficiently documented commitment from end-users: 0 points*

b) *Well-documented commitment from one end-user: 1 point*

c) *Well-documented commitment from more than one end-user: 2 points*

(v) Third-party commitment:

a) *No or insufficiently documented commitment from third-parties: 0 points*

b) *Well-documented commitment from one third-party: 1 point*

c) *Well-documented commitment from more than one third-party: 2 points*

Multiple Producer Guidance

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.

Financial Commitment Guidance

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.

Based upon these clarifications, please understand the following:

- A single producer who does not provide cash matching contributions cannot score more than 6 points.
- A single producer who provides all cash matching contributions can receive up to 9 points, depending on the level of end-user and third-party support.
- A project involving multiple producers can receive from 3 to 7 points without providing a cash matching contribution but can receive up to 10 points if it provides a cash match and meets the highest level of end-user and third-party commitment.

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

/s/ **Bette B. Brand**

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