

Food Supply Chain Loan Guarantee Program: Feasibility Study Guidelines

Welcome to USDA Rural Development's Food Supply Chain Loan Guarantee Program. The Notice of Funding Availability for this program requires all applicants to submit a feasibility study as part of a complete application. Below identifies the essential elements and provides some guidance to help you as you develop your study.

Executive Summary

Provide an overview to describe the nature and scope of the proposed project, including the purpose, project location, design features, capacity, and estimated capital costs. Include a summary of the feasibility determinations made for each applicable component.

Economic Feasibility

What are we looking for here?

A cost-benefit analysis.

What are the factors to consider?

- Minimum amounts of required inputs (labor, infrastructure, utilities, renewable resources, feedstocks, animals, among others) to operate successfully
- Contracts in place and contracts to be negotiated, including terms and renewals
- Environmental risks
- Cost of project relative to the increase in revenues or benefits provided
- Overall economic impact of project including new markets created and economic development

Market Feasibility

What are we looking for here?

Analysis of the current and future market potential, competition, sales or service estimations including current and prospective buyers or users.

What are the factors to consider?

- Competition
- Type of project: service, product or commodity based
- Target market, new versus established
- End user analysis, captive versus competitive
- By-product revenue streams
- Industry risk
- Pricing
- Marketing plan
- Distribution channels
- Self-certification of market share

Technical Feasibility

What are we looking for here?

Analyzing the reliability of the technology to be used and the analysis of the delivery of goods or services, including transportation, business location, and the need for technology, materials, and labor.

What are the factors to consider?

- Commercial availability
- Product and process success record and duplication of results
- Experience of the service providers
- Roads, rail, airport infrastructure
- Water, electricity, and other utilities
- Waste disposal
- Need for local transportation
- Labor market
- Availability of materials
- Use, age, and reliability of technology
- Construction risk

Financial Feasibility

What are we looking for here?

Analysis of the operation to achieve sufficient income, credit, and cash flow to financially sustain the project over the long term and meet all debt obligations.

What are the factors to consider?

- Commercial or project underwriting
- Management's assumptions
- Accounting policies
- Source of repayment
- Dependency on other entities
- Equity contribution
- Market demand forecast
- Peer industry comparison
- Cost-accounting system
- Availability of short-term credit
- Adequacy of raw materials and supplies
- Sensitivity analysis
- Use of loan funds

Management Feasibility

What are we looking for here?

Analysis of the legal structure of the business or operation; ownership, board, and management analysis.

What are the factors to consider?

- History of the business or organization
- Professional and educational background
- Experience
- Skills
- Qualifications necessary to implement the project

Food Supply Chain Factors

What are we looking for here?

Impact of project on the food supply chain. Provide detailed information on any potential impacts to agricultural producers.

What are the factors to consider?

- Changes in supply chain bottlenecks
- Resistance to economic, health, IT, and other shocks
- Impact on project suppliers
- Impact on project customers
- Impact on agricultural producers

Safety Conditions

What are we looking for here?

Factors relevant for safety of staff, customers, and other stakeholders.

What are the factors to consider?

- Worker safety plan
- Food safety plan
- Inspection requirements and status

Recommendation

Conclude with an opinion and recommendation presented by the consultant.

References

Provide a resume or statement of qualifications of the author of the feasibility study, including prior experience.

Questions?

Visit us online at www.rd.usda.gov/foodsupplychainloans for more information. Email us at rdfoodsupplychainloans@usda.gov.