

Agricultural Producer Workshop Making "Value-Added" work for your Operation





Presented by:

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USDA Rural Development – Montana Rural Business-Cooperative Service

Community Programs

- Community Facility Direct Loans, Loan Guarantees & Grants
- Water & Waste Water Disposal Direct loans, Loan Guarantees & Grants
- Rural Broadband, Electric & Telecommunications Direct Loans & Loan Guarantees and Distance Learning & Telemedicine loans & Grants

Housing Programs

- Single Family Housing Direct Loans
- Single Family Housing Loan Guarantees
- Single Family Housing Repair Loans & Grants
- Multi-Family Housing Direct Loans and Loan Guarantees

Business & Cooperative Programs

- Business & Industry Loan Guarantees
- Rural Energy for America Program Loan Guarantees & Grants
- Rural Business Development Grants
- Intermediary Relending Program
- Rural Micro-entrepreneur Assistance Program
- Rural Economic Development Loans & Grants
- Rural Cooperative Development Grants
- Socially Disadvantaged Group Grants
- Value Added Producer Grant Program
- Bio refinery Assistance (9003), Repowering Assistance (9004) and Bioenergy Program for Advanced Biofuels(9005)









There are over
40 Different
Programs in the
"RD" Portfolio



USDA Rural Development – Montana Rural Business-Cooperative Service

Business Programs - Montana

GOAL:

Promote a dynamic business environment in rural Montana.

THROUGH:

Investment in projects that:

- ♦ create or preserve quality jobs.
- ◆provide business development opportunities for rural residents.
- ♦ help agricultural producers & rural small businesses reduce energy costs & help meet the nation's energy needs.





FY2021 Value-Added Producer Grant 101









Value-Added Producer Grant

Authorization

Section 231 of the Agriculture Risk Protection Act of 2000 (P. L. 106-224), as amended by section 6203 of the Agricultural Act of 2014 (P. L. 113-79) (see 7 U.S.C. 1632a)

Program Regulation

Final Rule 7 CFR part 4284 subpart J published May 8, 2015

Purpose

Provides funds for economic planning activities or eligible working capital expenses to enable viable Agricultural Producers to develop businesses that produce and market Value-Added Agricultural Products and to create marketing opportunities for such businesses.



Reminder VALUE-ADDED PRODUCER GRANT is NOT:

- A technical assistance program
- A job training program
- Intended to teach people how to farm
- Intended as a continuous stream of capital



National Competition

FY2021 Available Funding: \$25 MM

Application Deadlines:

March 16, 2021 (grants.gov)

March 22, 2021 (Electronic and Paper Applications)

Maximum Award Amounts

\$75,000 Planning \$250,000 Working Capital

Matching Requirement

1-to-1 match (50 percent of total project costs) cash or eligible inkind contributions to be used only for eligible project purposes.

Grant Period

Up to 36 months, depending on project complexity.

Funding Priorities Reserved Funds

- Beginning & Socially Disadvantaged Farmers and Rancher
- Mid-Tier Value Chains
- Persistent Poverty Counties

Reserved funds ensure that a minimum of 10 percent of total funds are available for awards to applicants from these categories.

Scoring Priorities

- Priority Points (5 pts)
 - Beginning Farmers
 - Veteran Farmers
 - Socially Disadvantaged Farmers
 - Operators of Small-/Medium-Sized Farms Structured as Family Farms
 - Farmer or Rancher Cooperatives
 - Mid-Tier Value Chain Projects
- Priority Points (up to 5 pts) 'Group' Applicants:' Agricultural Producer Groups, Farmer or Rancher Cooperatives, Majority Controlled Producer-Based Businesses that 'best contribute to creating or expanding marketing opportunities for Beginning, Socially-Disadvantaged, and Small-/Medium Family Farms.

Basic Program Requirements

- Applicant eligibility
- Project eligibility
- Purpose eligibility
- Other eligibility requirements
- Evaluation criteria



Applicant Eligibility

- Applicant type
- Multiple grant
- Currently active grant
- Reserve fund (as applicable)

Applicant Eligibility

There is NO rural requirement:

Neither the applicant or the value-added process has to take place in a rural area.

Eligible Applicants Must Be Agricultural Producers:

"An individual or entity that produces an Agricultural Commodity through participation in the day-to-day labor, management, and field operations..."

...and must meet the definition of **one of four** applicant types:

Four Eligible Applicant Types

- Independent Producers
- Agricultural Producer Groups
- Farmer or Rancher Cooperatives
- Majority-Controlled Producer-Based Businesses

Independent Producer

An individual agricultural producer or an entity* that is solely owned and controlled by agricultural producers, that are directly engaged in the production of the subject agricultural commodity.

*Entity= partnership, LLC, etc.

Independent Producer...

- An independent producer entity may be a **steering committee** of individual IPs who will form a legal entity that meets the requirements of one of the 4 eligible applicant types.
- An independent producer may be an **agricultural harvester** if they have the legal right to harvest a primary (not residual) commodity. Examples: commercial fishermen, loggers.



Agricultural Producer Group

- Formal **nonprofit** membership organization that represents Agriculture Producers that meet the VAPG program definition requirements for an Independent Producer and operates with a mission that includes working on behalf of Independent Producers.
- The majority of the applicant's membership meet the definition of Independent Producer.
- The majority of the applicant's board of directors meet the definition of Independent Producer.







Farmer or Rancher Cooperatives

A business owned and controlled by agricultural producers that is incorporated, or otherwise identified by the state in which it operates, as a cooperatively operated business.*

*Note that agricultural harvesters do not meet the definition of a farmer or rancher and therefore are not eligible to apply as Farmer or Rancher Cooperatives.









Majority-Controlled Producer-Based Business*

The majority of the financial and voting interest belongs to Independent Producers.

*Only 10 percent of available funds will be awarded to eligible applicants in this category.

All Four Applicant Types Must:

- **Currently produce** and own more than 50 percent of the raw commodity that will be used for the Value-Added product.
- Own the product from its raw commodity state through the production of the Value-Added product during the Project (except for MTVC).

Emerging Market

- Agricultural Producer Groups, Farmer or Rancher Cooperatives, and Majority-Controlled Producer-Based Businesses, must show that they are entering an emerging market as a result of the proposed project.
- Applicants cannot have supplied the proposed product, geographic or demographic market for more than two years at time of application submission.



Multiple Grant Eligibility

- Applicants (including separate, but related entities with greater than 75% common ownership) may not submit more than one application in response to this solicitation (see additional guidance in Final Rule).
- Applicants for Working Capital grants may not submit applications for the same project that has previously received Working Capital funds (Proposals from previous award recipients should be substantially different in terms of products and/or markets and should not merely be extensions of previously funded projects).

Currently Active Grant

Applicants with an active value-added grant must close out that grant within 90 days of the application deadline to be eligible for the subsequent competition

Project Eligibility

- Value-added product methodology
- Expansion of customer base
- Increased revenue from the process returned to the producer

Five Value-Added Methodologies

- Change in physical state
- Produced in a manner that enhances the value of the agricultural commodity
- Physical segregation
- Farm- or ranch-based renewable energy
- Locally-produced agricultural food product

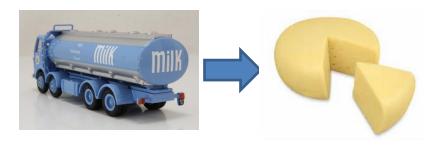


Change in Physical State

An irreversible processing activity that alters the raw agricultural commodity and enhances its value and is something other than a post-harvest process that primarily acts to preserve the commodity for later sale.

Examples include, but are not limited to-

- milk into cheese
- wheat into flour
- wool into clothing or rugs
- corn into E-85 ethanol
- livestock into packaged meat



Produced in a manner that enhances the value of the agricultural commodity

- The value-added product results from the use of a recognizably coherent set of agricultural production practices in the growing of the raw agricultural commodity, such that a differentiated market identity is created for the resulting product.
- Nonstandard production method that adds value per unit of production over a standard production method, and demonstrates this by a quantifiable comparison with products produced in the standard manner.

Examples include, but are not limited to-

- organic carrots,
- eggs produced from free-range chickens.







Physical Segregation



Value-added product results from physically separating (i.e. distance or structure) the agricultural commodity from other varieties of the same commodity on the same farm during production and harvesting, with continued separation during the processing and marketing of the value-added product.

Example: GMO corn separated from non-GMO corn on the farm during production and harvesting, with continued separation through marketing.

Farm- or Ranch-Based Renewable Energy

An agricultural commodity that is used to generate renewable energy on a farm or ranch owned or leased by the independent producer applicant that produces the agricultural commodity.

Examples include, but are not limited to-

- dairy manure into methane and electricity generated on the farm
- corn into biodiesel generated on the farm.

Generation of energy from wind, solar, geothermal or hydro sources are not eligible.



Locally-Produced Agricultural Food Product



Any agricultural food product that is marketed and distributed within 400 miles of the product's origin or within the State in which the product is produced.

Examples include, but are not limited to-

- specific local grapes with characteristics attributable to the growing area sold to a winery that will produce a local wine;
- local sweet corn advertised and sold at a premium as a fresher locally-produced alternative to non-local produce.



All applicants must demonstrate:

- Increase in customer base
- Greater portion of revenue derived from the value-added process returned to the producer.



Expansion of customer base

- Include baseline of current customers for the commodity or value-added product;
- Include estimated target number of customers that will result from the project

Greater portion of revenue returned to producers

- Include a baseline of current revenues from the sale of the agricultural commodity or value-added product;
- Include an estimated target of increased revenues that will result from the project.

Purpose Eligibility

- 2 types of grants
- Use of funds
- Budget & work plan

2 Types of VAPG Grants

1) Planning Grant

To pay a qualified (third-party) consultant for development of feasibility, marketing, business plan related to the processing and/or marketing of a value-added product.

2) Working Capital Grant

To pay eligible project expenses related to the processing and/or marketing of a value-added product.

Variations on Working Capital Grants

- 1. Requests of \$50,000 or more (emerging market proposals)
- All applicant types; but required for cooperatives, agricultural producer groups, and majority-controlled.
- Must provide a third-party, project-specific feasibility study and a business plan related to the processing and/or marketing of the value-added product.

Variations on Working Capital Grants

2. Requests of \$50,000 or more (market expansion)

- Independent Producer (IP) applicants only;
- Proposing market expansion of an existing value-added product that they have produced and successfully marketed for at least two years at time of application; and
- In lieu of an independent feasibility study for this project, must submit a business or marketing plan for the value-added project.

Variations on Working Capital Grants

- 3. Applications requesting less than \$50,000 (Simplified)
- All applicant types;
- Not required to provide a feasibility study and business plan, but must demonstrate the expected increases in customer base and revenue returns to the producer applicants supplying the majority of the agricultural commodity for the project.

Examples of Eligible Uses of Funds Planning Grants

 Pay for a Qualified Consultant to conduct and develop a Feasibility Study, Business Plan, and/or Marketing Plan associated with the processing and/or marketing of a Value-added Agricultural Product.

VAPG

Examples of Eligible Uses of Funds Working Capital

- Pay costs of processing the raw commodity into the value-added product.
- Product packaging & labeling
- Ingredients
- Promotional materials
- Advertising

Examples of Ineligible Uses of Funds Most common issues

- Expenses related to agricultural production
- Planning, building, or repairing facilities
- Use of grant funds to pay self or associated parties for subject raw commodity.
- Ineligible equipment expenses

Use of Funds

- Applications with ineligible expenses of more than 10 percent of total project costs will be ineligible to compete for funds.
- Applications selected for award that contain ineligible expenses of 10 percent or less of total project costs must remove those ineligible expenses from the final project budget.

Provide a detailed work plan and budget that shows:

- how the project's goals will be accomplished including a narrative description of the eligible activities and associated tasks;
- a budget breakdown of estimated costs allocated to those activities and tasks;
- identification of the key personnel responsible for overseeing and/or conducting the activities or tasks

- timeframes for completion of activities and tasks;
- identification of the sources and uses of grant and matching funds for all activities and tasks; and
- a grant period that meets start and end date requirements.

- If **Program Income** is earned during the grant period as a result of the project activities, it must be managed and reported accordingly.
- See 2 CFR 200.306.
- Program Income means gross income earned by the grantee that is directly generated by a supported activity or earned as a result of the grant, including, but not limited to income from the sale of commodities or products produced under the grant.



Matching Funds must be...



- Equal to at least the grant amount (at least 50 percent of total project costs).
- Spent only on eligible expenses;
- Spent in advance of grant funding (for every dollar of grant funds disbursed, not less than an equal amount of matching funds will have been expended prior to submitting the request for reimbursement);
- From eligible sources without a real or apparent conflict of interest

Matching Funds

Must be in the form of:

- Applicant cash, loan, or line of credit; and/or
- Applicant or family member in-kind contributions of goods or services (applicant provided services limited to 25 percent of total project costs); and/or
- Third-party cash or
- Third-party in-kind contribution, including non-federal grant sources.

Matching funds must be verified at application and confirmed at award:

- Equals at least 50% of total project cost
- From an eligible source
- For an eligible use
- Available during the grant period

VAPG

Other Eligibility Requirements

- Grant Period
- Completeness



Grant Period Eligibility

- Maximum timeframe of 36 months in length from the date of award (date of grant agreement execution). Note: this is not open-ended. Each project's grant period will be based on the project's complexity, as indicated in the application work plan.
- Extensions of up to 12 months will be considered only if for unavoidable or unforeseen circumstances. (Note: no grant may extend beyond 36 months, therefore no extension is available for grants with 36 month grant periods).

VAPG

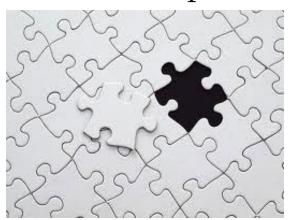




VAPG

Completeness Eligibility

- Applications must contain all required elements to be eligible to compete for funds.
- Information submitted after the application deadline will not be accepted.



Evaluation Criteria

- Performance evaluation criteria
 - Proposal evaluation criteria



Performance Evaluation Criteria

- Applicant suggests one or more relevant criterion to be used to evaluate whether or not the primary goals and objectives of the project are being met.
- All applicants estimate how many jobs are expected to be created or saved as a result of the project?
 Methodology provide in the application template.
- Working capital applicants record data on expansion of customer base and increase in revenue from the Applicant eligibility section.



Proposal Evaluation Criteria



Proposal Evaluation Criteria

The Agency selects and ranks applications based on responses to 5 criteria:

- 1. Nature of the proposed project (0-30)
- 2. Qualifications of project personnel (0-20)
- 3. Commitments and support (0-10)
- 4. Work plan and budget (0-20)
- 5. Priority points (0 or 5/up to 5 additional)

Nature of the Proposed Project

Applicants must discuss:

- technological feasibility
- operational efficiency
- profitability,
- economic sustainability.

Must demonstrate the potential for **expanding the customer base** for the agricultural commodity or value-added product, and the **expected increase in revenue** returned to the producer-owners.

Applicants should reference third-party data and other information that specifically supports the value-added project; discuss the value-added process proposed; potential markets and distribution channels; the value to be added to the raw commodity; cost and availability of inputs, applicant's experience in marketing the proposed or similar product; business financial statements; and any other relevant information that supports the viability of the project.

Must also discuss jobs expected to be created or saved as a result of the project.

Qualifications of project personnel

Applicant must identify and discuss:

- All individuals who will be responsible for completing work plan task including roles and activities that owners, staff, contractors, consultants or new hires may perform;
- Show that all individuals have the necessary qualifications and expertise for all tasks including those leading the project and conducting individual tasks in the work plan (whether consultants, contractors, staff or new hires).
- Commitment and the availability of any consultants or other professionals to be hired for the project.
- Specific qualifications required for any positions unfilled at time of application.
- Applications that demonstrate the strong credentials, education, capabilities, experience and availability of project personnel that will contribute to a high likelihood of project success will receive more points than those that demonstrate less potential for success in these areas.

Commitments & Support

Producer commitments to the project are evaluated based on:

- The number of Independent Producers involved in the project; and
- the nature, level and quality of their contributions.

End-user commitments are evaluated based on:

• the potential amount of output to be purchased, as evidenced by letters of intent or contracts from potential buyers referenced within the application.

Third-party commitments are evaluated based on:

- the nature of their contribution to the project: necessary technical assistance, storage, processing, marketing, or distribution arrangements.
- the level and quality of these contributions.

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.

Criterion 3: Commitments & support Important!

- Applications with multiple producers (named) involved in the production will receive more points than a single producer.
- Cash matching contributions will receive more points than in-kind contributions.

Work Plan:

- must provide specific and detailed discussion of each project task,
- all project personnel who will accomplish the project's goals.

Budget:

- detailed breakdown of all estimated costs of project activities **AND** allocation those costs among the listed tasks;
- sources and uses of both grant and matching funds for all tasks;
- spending rate of matching funds, such that they are at a rate equal to, or in advance of, grant funds;
- eligible start and end date for the project **AND** for individual project tasks (must not exceed Agency specified timeframes for the grant period).
- Working capital applications must include an estimate of program income expected to be earned during the grant period.



Priority Points

5 priority points will be awarded to applicants that request the priority points and demonstrate eligibility for one of the following priority categories:

Beginning Farmer or Rancher*
Socially Disadvantaged Farmer or Rancher*
Mid-Tier Value Chain Project
Small- or Medium-sized Farm structured as a Family Farm
Farmer or Rancher Cooperative

*For BFR and SDFR priority points, applicant ownership or membership must be more than 50% BFRs or SDFRs, respectively.

Priority Points

Up to 5 points additional points will be awarded to Agricultural Producer Groups, Farmer or Rancher Cooperatives, and Majority Controlled Producer-Based Businesses that propose projects that best contribute to new or expanded marketing opportunities for:

- Beginning Farmers or Ranchers
- Veteran Farmers or Ranchers*
- Socially-Disadvantaged Farmers or Ranchers
- Small- or Medium-Sized Family Farms



United States Department of Agriculture













Fat Robin Orchard & Farm

Harvest 2018



Some of our smallest pickers end up with more cherry on the outside than the inside.







VAPG

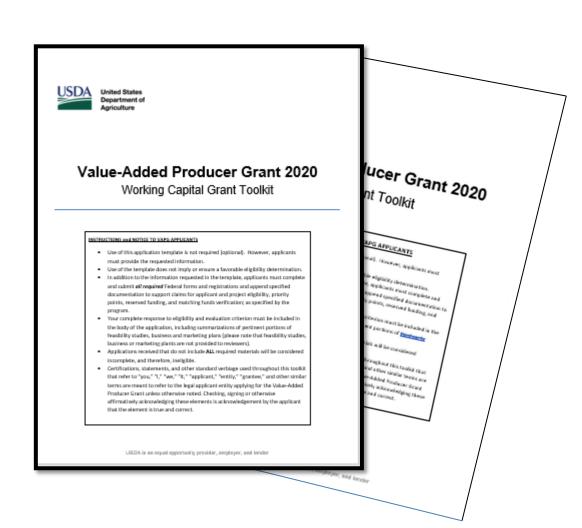
Tools for Applicants





Tools for applicants

Comprehensive
Toolkits for
Planning and
Working Capital





Individual OPTIONAL templates for Planning and Working Capital applications.

	APPLICATION TEMPLATE
Section 1: Summar	y Information
Legal Name of Applic	cant Entity:
DUNS #	Employer identification Number (EIN)
SAM/CCR Registration	on Cage Code:Expiration Date:
	ved your code and expiration date, you must provide evidence from SAM of having begun the (please include documentation in Appendix B.
Applicant Type – Ple	ase Check One:
□Independe	ent Producer
□Agricultura	al Producer Group
	Rancher Cooperative
☐Majority-C	ontrolled Producer Based Business
Raw Agricultural Con	nmodity:
Value-Added Produc	t:
Purpose	Capital Grant
Requested Grant Am	ount (\$250,000 or less): \$
	od Start Date:Proposed Grant Period End Date: correspond with grant period date included in SF424 and Section 5.4(2) (a) of the template.
	ble for Reserved Funds in one of the following categories, per 7 CFR 4284.923. pendices E.1, E.3, or E.4 will be used to rank applications awarded from Reserved Funds).
☐ Beginning Farmer	or Rancher
☐ Socially-Disadvant	aged Farmer or Rancher
☐ Mid-Tier Value Cha	ain Project
Check one if you are categories below:	competing for Priority Points (See 4284.902 and Appendix F for Definitions) in one of the priorit
☐ Beginning Farmer	or Rancher
☐ Veteran Farmer or	Rancher
	aged Farmer or Rancher
	III- or Medium-Sized Family Farm
☐ Farmer or Rancher ☐ Mid-Tier Value Ch	



OPTIONAL templates will walk you through each step

DOCUMENT PURPOSE..... IMPORTANT APPLICATION RESOURCES..... APPLICATION TEMPLATE..... Section 1: Summary Information Section 2: Executive Summary of Project _______4 Section 3: General Eligibility Requirements 3.6 Compliance with Alcohol and Tobacco Tax and Trade Bureau (TTB) regulations......5 Section 4: Applicant Eligibility..... 4.1 All Applicants must acknowledge and agree to the following by checking each. Section 5: Project Eligibility......

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USDA is an equal opportunity provider, employer, and lender

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Simplified Budget									
Templates	Activity #	Task Name, Description, and Responsible Party	Start Date	End Date	VAPG Funds	Cash Matching Funds	In-Kind Matching Funds	Total Project Costs	
3		TOTAL PROJECT			\$		s	s	
		apital applications must include an			expected to be		the grant period.	Further	
Program Income>	subject to Agency approval in a final budget post-award. Gross Income expected to be generated by project activities during §								
estimate (WC only)	the grant period. (minus) Costs related to the generated Program Income that will not be charged to the award.								
commute (s only)	Estimated Program Income (subtract line 2 from line 1)			<u>\$</u>	<u>\$</u>				

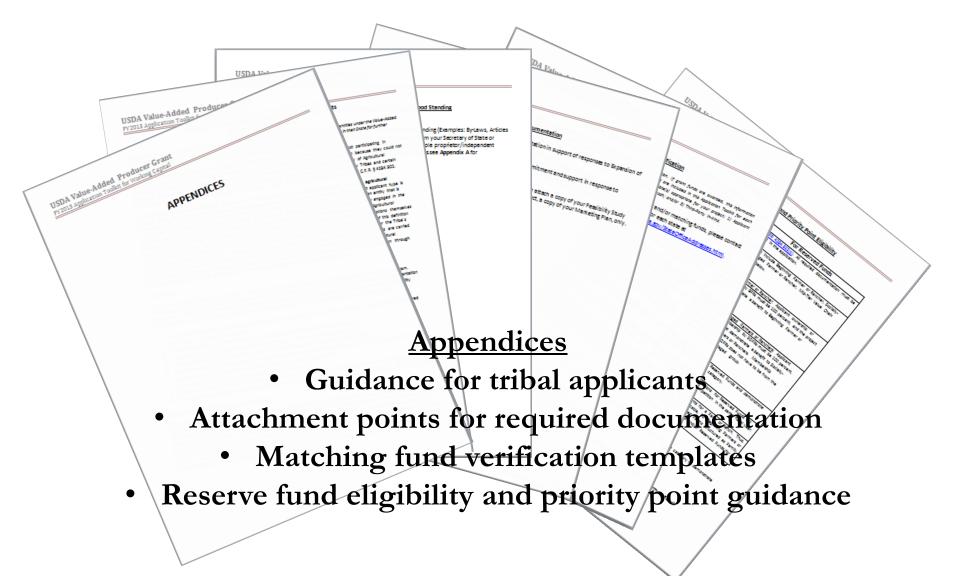
d. Task Budget Format

Provide a budget table for <u>each task</u> that will be completed for <u>each main octivity</u> listed above. Add additional task tables as needed.

Individual Task Budget
Templates

Task #1	VAPG	Cash	In-Kind	Total
Budget Categories	Grant Funds	Matching Funds	Contributions	
Personnel				
Fringe Benefits				
Travel				
Office Equipment				
Supplies				
Contractual				
Other				
Other				
Total	\$	\$	\$	\$







Links to required forms and necessary resources, including:

- SF 424s
- AD 3030
- Program regulation
- NOFA
- And more!

USDA Value-Added Producer Grant FY2013 Application Toolkit for Working Capital

REQUIRED STANDARD FORMS

Form SF-424, "Application for Federal Assistance"

http://www.grants.gov

http://apply07.grants.gov/apply/forms/sample/\$1424_2_1-V2.1.pdf

Form SF-424A, "Budget Information-Non-Construction Programs http://apply07.grants.gov/apply/forms/sample/SF424A-V1.0.pdf

Form SF-4245, "Assurances - Non-Construction Programs" http://apply07.grants.gov/apply/forms/sample/SP4245-V1.1.pdf

Form RD 400-4, "Assurance Agreement"

http://forms.sc.ogov.usda.gov/ofcommon/cfileSovices/cforms/RD400-4.FDf

Form AD-3030, "Representations Regarding Fellony Conviction and Tax Delinquency Status for Corporate Applicants"

OPTIONAL FORM

[INSERT INSTRUCTIONS]

Form AD-2126, "Form to Assist in Assessment of USDA Compliance with Civil Rights Laws" http://forms.sc.ogov.usda.gov/efcommon/cfileSovices/eforms/AD2106.FDF

IMPORTANT APPLICATION RESOURCES

VAPO Program Regulation 7 CFR 4284 subpart J

http://www.rurdov.usda.gov/SupportDocuments/4284j.pdf

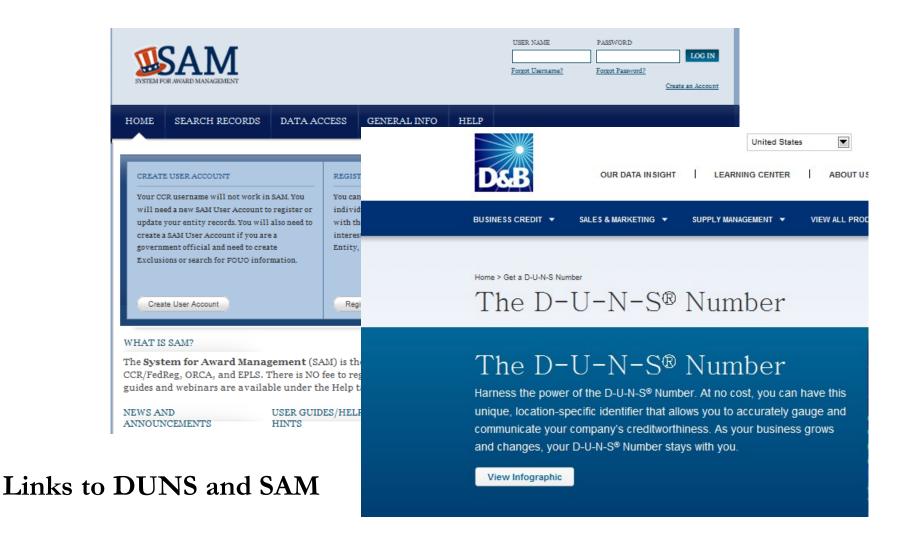
Administrative Notice on Tribal Applicant Eligibility

Obtain a free DUNS number by calling 1-500-254-5567 or ap to www.dunandbradstreet.com/US/duns_update/index.html

SAM Registration Cage Code

Register at no charge at https://www.sam.gov/portal/public/SAM/







Program Information & Materials

http://www.rd.usda.gov/programs-services/value-added-producergrants





QUESTIONS?









It's All About the Relationship

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Kalispell

Field

Office

Open **Area Specialist**

> **Billings** Open

Business Programs Specialist

Missoula

Heather Handeland Area Specialist

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Great Falls

Lea McGiboney **Business Programs Specialist** lea.mcgiboney@mt.usda.gov

(406) 727-7580 ext. 4

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