FARMERS' GUIDE TO APPLYING FOR VALUE-ADDED PRODUCER GRANT (VAPG) FUNDING

FISCAL YEAR 2015 GRANT CYCLE

May 2015

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National Sustainable Agriculture Coalition

On May 8, 2015, USDA published a notice in the Federal Register that they are accepting Value-Added Producer Grant proposals from farmers for the 2015 grant cycle. $30 million in funding is available nationwide.

DEADLINES

Online at Grants.gov – Midnight EST, July 2, 2015
Mail or in person – Dropped off or postmarked by July 7, 2015

Program Basics

The **Value-Added Producer Grant** program provides grants, awarded on a competitive basis, to individual independent agricultural producers, groups of independent producers, producer-controlled entities, organizations representing agricultural producers, and farmer or rancher cooperatives to create or develop value-added producer-owned businesses. Priority is given to projects that increase opportunities for small and mid-sized family farms, and/or for beginning, veteran, and socially disadvantaged farmers and ranchers. For the 2015 round, USDA is particularly encouraging projects that are based in or serving census tracts with poverty rates greater than or equal to 20 percent.

The term **"value-added"** includes: (a) an agricultural commodity or product that has undergone a change in physical state, (b) was produced, marketed, or segregated (i.e., identity-preserved, eco-labeling) in a manner that enhances its value or expands the customer base of the product, or (c) is aggregated and marketed as a locally-produced food. Grants may be used to:

- Engage in **economic planning to develop business plans and feasibility studies** (including marketing plans) needed to establish viable marketing opportunities for value-added products; or
- Acquire **working capital** to operate a value-added business venture.

Agricultural Producer Eligibility

Agricultural producers eligible for the program include farmers, ranchers, and harvesters, including loggers and fishermen. The applicant producer(s) must supply at least half of the commodity needed for the project and demonstrate the project will expand the customer base and increase revenues. An agricultural producer group, a farmer or rancher cooperative, or a majority-controlled producer-based business venture applicant must demonstrate that it is entering an emerging market it has not served for more than 2 years. Businesses with majority farmer ownership are eligible but cannot make up more than 10 percent of total awarded funds.

Project Eligibility and Examples of Previously Awarded Projects

Eligible Value-Added Activities	Description	Example Outputs
Commodity Processing	Increasing value by changing commodity's physical state	flour, cheese, wine, jam, oils, yogurt
Market Differentiation	Increasing value by marketing the commodity's special identity or character	organic, grass-fed, humane, state branding
Commodity Segregation	Increasing value by keeping the commodity physically separated in production and distribution	GMO-free, no-rBGH, varietal purity
On-Farm Renewable Energy	Realizing value by transforming natural resources into energy on the farmstead	on-farm biodiesel, on-farm electricity generation from on-farm sources
Local Food	Increasing value by aggregating and marketing food for local markets	buy local -buy fresh, community based food enterprises, supplying local procurement preferences
Mid-Tier Value Chain	Increasing value by linking farmers with local / regional supply networks in which they are equal partners	farm to institution, farm to food service or restaurant, value chain using a consumer seal or farmer identity-preserved label

Commodity Processing	Prairie Fruits Farm, LLC, a small, diversified family farm in Illinois, received a planning grant to assist with a feasibility study, market assessment, and business plan for processing raw goat milk into goat milk gelato, creating a valuable outlet for seasonal surplus milk.
Market Differentiation	Pinn-Oak Ridge Farm, Delavan, Wisconsin received a grant to brand and direct market their pasture-raised lamb. It has allowed them to expand their market from 40 restaurants and grocery stores to 60 retailers in Wisconsin and Illinois.
Commodity Segregation	World Food Processing, Inc., Oskaloosa, Iowa, received a working capital grant to assist in the expansion of their production and marketing of new, high quality, non-GMO food grade soybeans into three markets previously untapped by WFP.
On-Farm Renewable Energy	A farm in central Pennsylvania received a grant to purchase supplemental soybeans that, combined with on-farm produced soybeans, is turned into expeller soybean meal and a high quality vegetable oil for use as on-farm fuel to generate power and increase electrical efficiency.
Local Food	Southern Plains Agricultural Resources Coalition in Oklahoma received a grant for the processing of no-till wheat into flour, and marketing the flour to public schools in Oklahoma.
Mid-Tier Value Chain	Wyoming Wheat Growers Association received grant funds to conduct a third party feasibility study for the development of a Regional Supply Network of Hard White Wheat blends to supply local and regional millers and bakers.

VAPG Quick Facts

- This grant round provides $30 million in funding drawn from a combination of the fiscal year 2015 appropriations and the 2014 Farm Bill, plus carryover from 2014.
- Maximum award per project:
  - Planning grant: $75,000
  - Working capital grant: $250,000
- Maximum grant length: 3 years. Work on project must begin within 90 days of award.
- Grant funds may not be used for repair, acquisition, or construction of a building or facility or to purchase, rent or install fixed equipment
- Cash and/or in-kind matching funds are required (see "match" section)
- USDA's Rural Business Cooperative Service administers the program and grant applications are first screened through each state's USDA Rural Development Office.

Steering Committee Applicants

Within the Independent Producer applicant category, there is an option to apply as a **Steering Committee**, defined by USDA as "an unincorporated group of specifically identified Agricultural Producers that lacks a legal structure or identity and is in the process of organizing one of the four program eligible entity types that will operate a value-added venture and will supply the majority of the agricultural commodity for the value-added project." To apply as a Steering Committee, 100 percent of the group must be Independent Producers.

Simplified Application

USDA offers a simplified application form for working capital projects requesting less than $50,000. Many of the smaller grants are single farmer projects for which larger-scale working capital applications are unnecessarily complex. If you are applying for working capital under the simplified application, you are not required to provide an independent feasibility study or business plan. You are required to discuss how the project will increase your customer base and increase revenues. The more you can back up your projections with references to third party sources that support your conclusions the better your application will be received.

Market Expansion Proposals

Single producer applicants seeking a working capital grant of $50,000 or more for a proposed market expansion for (an) existing value-added agricultural product(s) that they have produced and marketed for at least 2 years may submit a business or marketing plan instead of a feasibility study.

Matching Funds Requirement

All grant funds must be matched on a 1:1 basis. Matching funds may be in the form of **cash or eligible in-kind** contributions. Up to 25 percent of the total project cost, or in other words, up to 50 percent of the match, may come from the farmers' own time and effort (sometimes referred to as "sweat equity") put into the project. The other half or more of the match must be in cash.

Program Priorities -- Small and Medium-Sized Family Farms & Beginning, Socially Disadvantaged, and Veteran Farmers

In making grant awards, USDA is required by law to prioritize projects that increase opportunities for (1) **small- and medium-sized family farms and ranches,** (2) **beginning farmers or ranchers,** (3) **socially disadvantaged farmers or ranchers**, and (4) **veteran farmers or ranchers**.

> **Family farms** are defined as farms in which the members of the family are primarily responsible for daily physical labor and strategic management.
>
> Small farms are family farms that on average generate less than $500,000 in gross annual sales. Medium-sized farms are family farms that on average generate up to $1 million in gross annual sales.
>
> **Beginning farmers or ranchers** are have operated a farm or ranch for not more than 10 years and are actively engaged in day-to-day farming.

Socially disadvantaged farmers and ranchers are those who are members of a group that that have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities.

Veteran farmers or ranchers are those who have served in the Armed Forces and who have (a) not operated a farm or ranch or (b) operated a farm or ranch for no more than 10 years.

Though not directed to do so by the Farm Bill, USDA is also providing priority points to all farm coops and to all mid-tier value chains, regardless of the make up of their membership base. *(Editorial note - NSAC strongly opposes this end run around the statutory priorities by USDA.)*

In ranking applications, USDA awards 5 points (out of 100 total possible points) for applicants who are from one or more of the priority categories. Up to 5 additional points will be awarded to group projects (businesses and coops) determined to best contribute to creating or expanding opportunities for one or more of the priority categories. *(Editorial note – NSAC strongly opposes USDA's decision to effectively reduce the maximum points available to priority applicants by 5 points.)*

If two or more applications have the same ranking point total, the one that addresses one of the program priorities will be ranked higher than one that does not.

To qualify for priority points, an individual farmer applicant must be the operator of a small or medium-sized family farm or be a beginning, socially disadvantaged, or veteran producer. For group applicants, USDA currently requires that the group is comprised entirely of small and medium-sized family farms or that more than 50% of the members are beginning, socially disadvantaged, or veteran producers. *(Editorial note – NSAC strongly opposes USDA's imposition of a 50% threshold for group applicants.)*

Mid-Tier Value Chains

Mid-tier value chain projects have a special funding set-aside (see below), and, as noted above, USDA has decided they also receive priority ranking points. The definition of a value-added agricultural product includes – in addition to one that has been processed, segregated, produced or marketed with inherently value-added characteristics, and/or is a source of farm or ranch-based renewable energy – an agricultural commodity or product that is aggregated and marketed as a locally-produced agricultural food product or one that is part of a mid-tier value chain.

Mid-tier value chains assist farmers and ranchers who are too large or remote to substantially engage in marketing directly to consumers but too small to profitably engage in high volume, low margin raw commodity production. They are designed to capitalize on the increasing demand for high quality products from family farms adhering to strong environmental and social values.

APPLICATION SCORING

Applications are awarded points based on six scoring tiers. The maximum number of points is 100. Complete descriptions are in the Federal Register Notice.

1. **Nature of Proposed Venture**
   (up to 30 Points)
   Technical feasibility, economic sustainability, demonstration of the potential for expanding customer base, expected increase in revenue returns, etc.

2. **Qualifications of Project Personnel**
   (up to 20 Points)
   Credentials, education, experience of each person working on the project. If using consultants, they do not necessarily need to be identified beforehand, but the qualifications sought should be described.

3. **Commitments and Support**
   (up to 10 Points)
   Support from producers, end user buyers, and third party contributors. Includes contracts, letters of commitment, or letters of intent, if any. Discusses all cash and in-kind contributions

4. **Work Plan and Budget**
   (up to 20 Points)
   Detailed description of all tasks and who will accomplish them. Budget should include detailed breakdown of all estimated costs of project activities. Shows both grant and matching funds for all tasks.

5. **Priority Points**
   (0, 5, or 6 to 10 Points)
   If the project if submitted by small and medium-sized family farms, beginning, socially disadvantaged (minority), or veteran farmers or ranchers, or farmer or rancher cooperative, or if the project is a mid-tier value chain project, 5 points will be awarded. For group projects, up to 5 additional points will be awarded if the project "best contributes to creating or increasing marketing opportunities" for one or more of the priority groups named in the statute.

6. **Administrator Points**
   (up to 10 points)
   USDA may award up to 10 points to an application to improve the geographic diversity of awardees in a fiscal year.

Farmers can be funded for the development of mid-tier value chains, which is defined as **local and regional supply networks** (including aggregators and facilitation services) **that link independent producers with businesses, cooperatives, or consumers that market value-added agricultural products** in a manner that:

- Targets and strengthens the profitability and competitiveness of small and medium-sized family farms or ranches; and
- Includes an agreement from an eligible agricultural producer group, farmer or rancher cooperative, or majority controlled producer-based business venture that is engaged in the value chain on a marketing strategy.

Food hubs that meet these qualifications are eligible for VAPG awards as part of Mid-Tier Value Chain projects.

Applicant ownership of the raw Agricultural Commodity and Value-Added Agricultural Product from raw through value-added stages is not necessarily required, as long as the Mid-tier Value Chain application can demonstrate an increase in customer base and an increase in revenue returns to the Applicant producers supplying the majority of the raw Agricultural Commodity for the project.

Funding Set-Asides

By law, there are two 10 percent funding set-aside categories, one for mid-tier value chain projects, and one for projects submitted by beginning or socially disadvantaged farmers or ranchers. For proposal submitted by more than one producer from these categories, 100 percent of the members of the group or business must be beginning farmers or ranchers or socially disadvantaged farmers or ranchers. The set-asides are intended to ensure that these objectives are more likely to be supported. The farm bill ends the set-aside on June 30 of each year so that any funds that are not being used within the set-aside can be put to use elsewhere. This year, however, USDA is releasing the request for applications so late in the year that the application due date comes after the set-aside termination date, which is most unfortunate. Hopefully in future years the funding availability notice will be out in the winter, when farmers generally have more time to work on proposals, so that decisions can be made in advance of the June 30 cut-off date.

Mandatory Registrations

Before applying, VAPG applicants must obtain a Dun and Bradstreet Data Universal Numbering System (DUNS) number. A DUNS number can be obtained at no cost by calling toll-free to 866-705-5711.

Applicants must also register in the System for Awards Management (SAM) prior to submitting the application. To register, go to https://www.sam.gov/portal/public/SAM.

Both are easy to obtain, but if you do not have a DUNS and a current SAM registration, you need to get started right away, as they take some time to get.

The process to apply for a DUNS takes about one business day, and when you apply you will need to be able to provide contact information, the number of employees, the legal structure of your operation, the year it was established, and the SIC code, which is a US Department of Labor business classification that can be looked up online. When you have this information you can apply for a DUNS online at http://fedgov.dnb.com/webform.

Next, after obtaining a DUNS number, you must register with SAM, which is a government-wide registry for anyone doing business with the federal government. You can begin the SAM process at www.sam.gov, and should have the following information ready: your DUNS number, EIN number, statistical information about your business, and information for electronic transfer of payments. You should plan ahead for the SAM application, because a newly assigned EIN number can take up to 2 to 5 weeks before it is active and valid for the SAM application.

2015 VAPG Application Timeline and Checklist

1. **Invitation for Applications for VAPG published in the Federal Register. (May 8, 2015)**

   ☑ Read the complete Federal Register notice, but be forewarned it is written in bureaucratic language. Be sure to consult with your state USDA Rural Development Office (see step 3) and with NGOs or consultants in your area familiar with the program.

2. **Applicants may use USDA's application template.**

   ☑ State economic development Extension specialists or NGOs with expertise may be able to provide assistance with application details.

3. **Draft applications may be sent to RD-State Offices for preliminary review & comment.**

   ☑ Applicants may request technical assistance from their state RD office prior to the application deadline. Take advantage of their assistance and be sure to get a preliminary review and comment on your draft application to avoid problems that may otherwise void your final application.

4. **Applications are written and finalized.**

   ☑ Applicants seeking Working Capital grants must also secure a business plan and independent feasibility study, which must accompany the application. These take time, so must be started immediately. Also note that these documents will not be provided to the project reviewers and thus should be summarized in the text of the application as well as be attached.

5. **Application deadlines: July 2 and July 7, 2015.**

   ☑ Applications cannot be faxed or emailed. You must (a) mail the complete application to the State RD Office located in the State where the project will primarily take place, postmarked by or sent overnight by July 7, (b) hand carry your application to a USDA RD field office by close of business on July 7, or (c) submit the application electronically through grants.gov by midnight Eastern Time on July 2. *NOTE THE EARLIER ONLINE DEADLINE.* If you choose electronic submission, please note that you should (1) register beforehand to set up an account, and (2) try to file a few days ahead of time because grants.gov is notoriously difficult to deal with if rushing to get something in at the last minute.

6. **Proposals are reviewed for completeness and eligibility by RD-State offices.**

7. **Proposals are scored by the State office.**

   ☑ By getting a draft proposal pre-reviewed by the state office you will have a better sense of how your proposal will score, and if there are particular problems that might indicate a lower ranking there may be time to adjust the proposal to gain a better ranking.

8. **Proposals are sent to the national office at USDA, which sends each proposal to at least one independent, non-federal reviewer to evaluate and rank.** The state office score is then averaged with the independent reviewer score. *(Editorial note – NSAC for years has requested that USDA RD form independent review panels as most other USDA agencies do in administering competitive grant programs, but so far that request has gone unheeded.)*

9. **Final scoring.** This includes any additional Administrator priority points awarded for geographic diversity.

   ☑ Be forewarned that those final up to 10 points can make a critical difference. If you are in an underserved state, it may work in your favor, and if not, you want to do everything possible to maximize your points on all the other factors.

VAPG & the 2014 Farm Bill

The program was first authorized in 2000 and was expanded as part of the 2002 Farm Bill to include inherently value-added production, such as organic crops or grass-fed livestock, and expanded again in the 2008 Farm Bill to include locally produced and marketed food products and mid-tier value chains. The 2014 Farm Bill provides $63 million in mandatory funding over five years, adds a new priority category for veteran farmers and ranchers, and adds a revised priority determination process for group applicants. NSAC has advocated for the program since its creation and continues to do so in the context of the farm bill implementation and in the annual congressional appropriations process. To join our action network, go to the Take Action section of our website.

This guide was produced by:

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For More Information and Resources:

USDA Rural Development:
http://www.rd.usda.gov/programs-services/value-added-producer-grants or call 202-690-1374

National Sustainable Agriculture Coalition:
http://sustainableagriculture.net/publications/grassroots guide/local-food-systems-rural-development/value-added-producer-grants/

The Agricultural Marketing Resource Center:
http://www.agmrc.org/

Oregon Rural Development:
http://www.rd.usda.gov/programs-services/value-added-producer-grants/or