FARMERS' GUIDE TO APPLYING FOR THE VALUE-ADDED PRODUCER GRANT PROGRAM

2019-2020 Cycle

NATIONAL SUSTAINABLE AGRICULTURE COALITION

In December 2019, USDA published a notice in the Federal Register that they are accepting **Value-Added Producer Grant** proposals from farmers for the 2019-2020 grant cycle. At least $37 million in funding is available nationwide.

DEADLINES

Online at Grants.gov – Midnight EST, March 5, 2020
Mail or in person – Dropped off or postmarked by March 10, 2020

2019-2020 Grant Cycle

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PROGRAM BASICS

The Value-Added Producer Grant program (VAPG), a subprogram of the Local Agriculture Market program (LAMP), 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 expand 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.

The term "value-added" includes: an agricultural commodity or product that has (a) 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 or expand a value-added business venture.

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. Tribal applicants may use funding from grants made available through the Indian Self-Determination and Education Assistance Act of 1975 for matching funds.

SPECIAL APPLICATION OPTIONS

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.

Agricultural Producer Eligibility

Agricultural producers eligible for the program include farmers, ranchers, and harvesters, including loggers and fishers. The applicant producer(s) must supply the majority (more than fifty percent) 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 Activities	*Description*	*Example Outputs*
Commodity Processing	Increasing value by changing the 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	Ludwig Farmstead Creamery in Fithian, IL received a working-capital grant to assist production and marketing of their artisan cheeses made with milk from their Holstein herd. Ludwig Creamery markets most of their products direct to consumers through farmers markets, restaurants, retail outlets and wineries in Illinois and Indiana.
Market Differentiation	Stonewood Farm in Orwell, VT received a grant to expand its farm identity preserved value-added product line by purchasing materials that are necessary to package and brand their sausage products. It has supported their ability to make ground turkey sausages and market them in the winter when it's too cold to raise turkeys in Vermont. 90 percent of their products are sold in Vermont.
Commodity Segregation	World Food Processing in Oskaloosa, IA 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 OK.
Mid-Tier Value Chain	The Wisconsin-based Fifth Season Cooperative, which includes representatives of the entire food chain, from producers to processors to institutional buyers in the tri-state Wisconsin, Iowa, and Minnesota area, used its award to support custom processing of quick frozen vegetable blends for institutional markets.

VAPG QUICK FACTS

This grant round provides at least $37 million in funding drawn from a combination of fiscal year 2019 appropriations and 2018 Farm Bill funding.

- 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

Simplified Application (continued)
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.

Steering Committee Applicants
For groups that are not yet incorporated, 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.

Market Expansion Proposals
Independent producer applicants (individuals or multiple-producer entities) 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.

Hemp Projects
VAPG projects related to hemp production as defined and authorized in the 2018 Farm Bill (the Agriculture Improvement Act of 2018) are eligible for VAPG assistance, provided the project can meet all other VAPG requirements and the applicant has a valid producer license and can verify compliance with USDA's related regulations.

Food Safety
LAMP also authorized the creation of a new application option and funding reservation to support just food safety practice upgrades and for food safety certification, though that option is not yet available as it requires a rulemaking. However, food safety training, certifications, and supplies that are part of projects and are eligible under current VAPG regulations may continue to be included in a proposal.

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, (4) veteran farmers or ranchers, and (5) farmer or rancher cooperatives.

"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" 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.

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 (majority-controlled producer businesses, co-ops, producer groups) to create or expand opportunities for beginning farmers and ranchers, veteran farmers and ranchers, socially-disadvantaged farmers and ranchers, and small and medium-sized farms and ranches structured as family farms.

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 more than 50 percent of the members are operators of small or medium-sized family farms or are beginning, socially disadvantaged, or veteran producers.

Rural Prosperity Priorities
Additional priority points are available as a part of the administrator review for eligible applicants who have never previously been awarded a VAPG grant. However, applicants must specifically request consideration for these points and discuss how the project supports one of the following key strategies of the Rural Prosperity Task Force: Achieving e-connectivity for Rural America, Improving Quality of Life, Supporting Rural Workforce, Harnessing Technological Innovation, and Economic Development.

Mid-Tier Value Chains
Mid-tier value chain projects have a special funding set-aside (see below), and, as noted, USDA has decided they also receive priority ranking points. The definition of a value-added agricultural product includes an agricultural commodity or product aggregated and marketed as a locally-produced agricultural food product and/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.

Farmers can be funded for the development of mid-tier value chains, which are 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 that is engaged in the value chain on a marketing strategy.

Producer-based food hubs meeting these qualifications are eligible 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 three 10 percent funding set-aside categories, one for mid-tier value chain projects, one for projects submitted by beginning or socially disadvantaged

farmers or ranchers, and one for projects in persistent poverty counties. The set-asides are intended to ensure that these objectives are more likely to receive support.

The funding set-aside categories for mid-tier value chain projects and beginning or socially disadvantaged producers were created through previous farm bills. The set-aside for persistent poverty counties fulfills a directive that Congress included in the FY 2019 omnibus appropriations package.

For the purposes of this set aside, "persistent poverty counties" are defined as "any county that has had 20 percent or more of its population living in poverty over the past 30 years, as measured by the 1980, 1990, and 2000 decennial censuses, and 2007–2011 American Community Survey 5-year average."

In the event of a tie between applicants, the program administrator has discretion to break the tie.

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 U.S. 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, IRS 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.

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. Cash and in-kind contributions detailed.
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.
5. ***Priority Points (0 or 5 Points for Priority Category Applicants; up to 5 Additional Points for Qualified Group Applicant Types)*** – If the project if submitted by the operator of a small or medium-sized family farm, or a beginning, socially disadvantaged, or veteran farmer or rancher, or if the proposal is from a farm co-op, or is a mid-tier value chain project, 5 points will be awarded. For group projects, up to 2 points will be awarded if the group has 50% membership from the statutory priority groups, 1 point if the group includes at least two statutory priority groups among its members, and 2 points if the project will increase the group's membership by at least one statutory priority category. Only farm co-ops, producer groups, or majority-controlled producer businesses are eligible for the full 10 points under this heading.
6. ***Administrator Points (up to 10 points)*** – USDA may award up to 10 points to an application to improve the geographic diversity, access to the program for those who have not previously received VAPG awards, or to support the key strategies of the Rural Prosperity Task Force.

2019-2020 VAPG APPLICATION TIMELINE AND CHECKLIST

1. Invitation for Applications for VAPG published in the Federal Register. (December 2019)

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 Toolkit ("To Apply" tab under VAPG title).

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

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.

As noted previously, USDA offers a simplified application for working capital projects requesting less than $50,000. If the applicant is not applying for a less than $50,000 working capital project using the simplified form, 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 may 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: March 5 and March 10, 2020.

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 March 10, (b) hand carry your application to a USDA RD field office by close of business on March 10, or (c) submit the application electronically through grants.gov by midnight Eastern Time on March 5. NOTE THE EARLIER ONLINE DEADLINE. If you choose electronic submission, please note that it is highly recommended that you (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 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. Priority points are added to the average score.

9. Final scoring, including Program Administrator priority points awarded

Be forewarned that those final (up to) 10 points can make a critical difference. If you are in an underserved state or have never received a VAPG grant, it may work in your favor, and if not, you want to do everything possible to maximize your points on all the other factors.

10. Awards announced. (Expected July 31, 2020)

VAPG History

VAPG was first authorized in 2000 and provided with $20 million per year in mandatory funding. The program was subsequently expanded and improved as part of the 2002, 2008 and 2014 Farm Bills.

The 2018 Farm Bill reauthorized VAPG through a new umbrella program, the Local Agriculture Market Program (LAMP), which combined VAPG with the Farmers Market and Local Food Promotion Program (FMLFPP) and provided both programs with permanent mandatory funding. Although VAPG now has permanent mandatory funding as part of LAMP, VAPG funding levels are a fraction of what they were under the 2002 Farm Bill. The 2018 Farm Bill provides LAMP with $50 million in mandatory funding per year, of which only $17.5 million is for VAPG.

Under the 2018 Farm Bill VAPG's mission, grant priorities, and activities remain largely as they were during the 2014 Farm Bill with one notable change; up to 25 percent of total VAPG funds can be used for a new simplified application option to support producer costs related to food safety certification and changing and/or upgrading food safety practices and related equipment ($6,500 maximum grant). However, that funding reservation is not is not available yet as it will require a forthcoming federal rulemaking to implement.

NSAC has advocated for the program since its creation and continues to do so in the context of farm bill implementation and the annual congressional appropriations process. Want to Help? Join our action network on our website!

MORE INFORMATION AND RESOURCES

USDA Rural Development:

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

National Sustainable Agriculture Coalition:

http://sustainableagriculture.net/publications/grassrootsguide/local-food-systems-rural-development/value-added-producer-grants/

The Agricultural Marketing Resource Center:

http://www.agmrc.org/

USDA Rural Development State Offices:

http://www.rd.usda.gov/contact-us/state-offices

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