



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

Fiscal Year 2021 Cycle



NATIONAL SUSTAINABLE
AGRICULTURE COALITION

In December 2020, USDA published a notice in the Federal Register that they are accepting Value-Added Producer Grant proposals and subsequently issued an updated notice on March 5th. The amended notice makes a total of \$76 million in funding available and extended the original deadline.

DEADLINES

Online at Grants.gov – 11:59pm EST, April 29, 2021

Mail or in-person – Postmark or drop off by 4:30pm local time on May 4, 2021

Fiscal Year 2021 Grant Cycle

Published March 2021

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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

The matching fund requirements for the 2021 cycle are different from years past. The Coronavirus aid package that Congress enacted in December of 2020,

includes \$35 million in additional funding for the program to support recovering and resiliency efforts. That legislation also directed RD to reduce the cost-share requirement from 50% to 10% for any grants funded through that \$35 million tranche of funding. All applications received will initially compete for the \$35 million with the reduced cost-share requirement. You are not required to demonstrate how your business operations were impacted by the COVID-19 pandemic. If your application was not selected for the \$35 million in funding with a reduced cost-share requirements and your application scored 50 points or above during the review process, you will be offered the opportunity to amend your project budget to align to the standard program match requirement of 50% and compete for the remaining \$41 million in grant funding.

Matching funds may be in the form of cash or eligible in-kind contributions. However, all cash match applications receive a higher score during the review process. 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 for working capital projects requesting less than \$50,000. Many smaller grants are single farmer projects for which larger 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

<i>Eligible Activities</i>	<i>Description</i>	<i>Example Outputs</i>
<i>Commodity Processing</i>	Increasing value by changing the commodity's physical state	Flour, cheese, wine, jam, oils, yogurt
<i>Market Differentiation</i>	Increasing value by marketing the commodity's special identity or character	Organic, grass-fed, humane, state branding
<i>Commodity Segregation</i>	Increasing value by keeping the commodity physically separated in production and distribution	GMO-free, no-rBGH, varietal purity
<i>On-Farm Renewable Energy</i>	Realizing value by transforming natural resources into energy on the farmstead	On-farm biodiesel, on-farm electricity generation from on-farm sources
<i>Local Food</i>	Increasing value by aggregating and marketing food for local markets	Buy local / buy fresh, community-based food enterprises, supplying local procurement preferences
<i>Mid-Tier Value Chain</i>	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
<i>Commodity Processing</i>	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.	
<i>Market Differentiation</i>	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.	
<i>Commodity Segregation</i>	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.	
<i>On-Farm Renewable Energy</i>	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.	
<i>Local Food</i>	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.	
<i>Mid-Tier Value Chain</i>	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 up to \$76 million in funding drawn from a combination of fiscal year 2021 appropriations, 2018 Farm Bill funding and pandemic aid 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 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 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 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) 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 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 2021 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 a 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 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/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 <https://www.sam.gov/SAM/>, 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.

APPLICATION SCORING

- 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. (Note: the amended federal register notice made some changes to this scoring criteria to reflect the changes to the cost share requirements.)
- 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 is 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.

2021 VAPG APPLICATION TIMELINE AND CHECKLIST

1. Invitation for Applications for VAPG published in the Federal Register. (Dec 2020, March 2021)

Read the original complete Federal Register notice, and the updated 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 ("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. It is highly recommended to 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.

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: *Online at Grants.gov – 11:59pm EST, April 29th; Mail/email or in person – Dropped off by 4:30pm local time on May 4th or postmarked by May 4th, 2021.*

Applications cannot be faxed but can be emailed or submitted through postal mail as well as online. 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 May 4th, 2021, (b) hand carry your application to a USDA RD field office by 4:30pm local time May 4th, or (c) submit the application electronically through grants.gov by 11:59pm Eastern Time on April 29th. NOTE THE EARLIER ONLINE DEADLINE. If you choose electronic submission, 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 problems that 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.

USDA 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 for geographic diversity.

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 Fall 2021)

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 (FMLPPP) 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. The Coronavirus aid package that Congress enacted in December of 2020, included a one-time infusion of \$35 million in additional funding for the program to support recovering and resiliency efforts. That legislation also directed USDA to reduce the cost-share requirement from 50% to 10% for any grants funded through that \$35 million.

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> or call 202-690-1374

USDA Rural Development State Offices: <http://www.rd.usda.gov/contact-us/state-offices>

National Sustainable Agriculture Coalition: <http://bit.ly/38ukjQc>

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

Federal Register Notices: December - <http://bit.ly/2ONhanu>
March - <https://bit.ly/3bD0Ui6>

Raising Money for Your Farm Through Value-Added Producer Grants – recorded webinar: <http://bit.ly/3rTa1AE>



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