



**Great Lakes Fruit, Vegetable & Farm Market EXPO
Michigan Greenhouse Growers EXPO**

December 5-7, 2017

DeVos Place Convention Center, Grand Rapids, MI



USDA Value Added Producer Grant Program

Where: Gallery Overlook (upper level) Room A & B




Moderator: Joanne Davidhizar, MSU Product Center, MSU Extension, Benton Harbor, MI

3:00 pm USDA Value Added Producer Grant Program
 • Bobbie Morrison, USDA, East Lansing

4:00 pm Session Ends

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FY2018 Value-Added Producer Grant 101

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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

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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.



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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



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National Competition
Available Funding: **\$18 million+**

Application Deadlines:
Paper: **January 31**
Grants.gov: **January 24(not recommended)**

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 in-kind contributions to be used only for eligible project purposes.

Grant Period
Up to 36 months, depending on project complexity.

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Funding Priorities

Reserved Funds

- Beginning & Socially Disadvantaged Farmers and Rancher
- Mid-Tier Value Chains
- **Persistent Poverty Counties – Michigan does not have any**

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

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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.

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Program Information & Materials

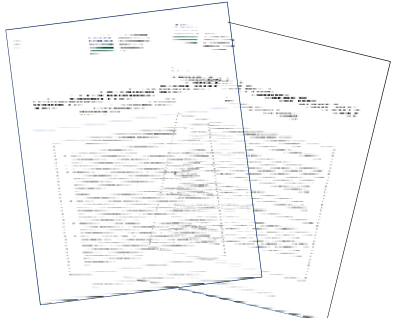
<http://www.rd.usda.gov/programs-services/value-added-producer-grants>



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Tools for applicants

Comprehensive Toolkits for Planning and Working Capital




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- Separate OPTIONAL templates for Planning and Working Capital applications
- Use of the Templates are OPTIONAL, but highly recommended



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Templates will walk you through each step



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Links to required forms and necessary resources, including:

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



Links to DUNS and SAM

Appendices

- Guidance for tribal applicants
- Attachment points for required documentation
- Matching fund verification templates
- Reserve fund eligibility and priority point guidance

Basic Program Requirements

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

Application Template
Section 1: Summary Information

- Legal Name
- DUNS/SAM
- Applicant Type
- Raw Ag Commodity
- Value Added Product
- Purpose
- Requested Grant Amount
- Reserved Funds
- Priority Points
- Brief Summary of the Project

Application Template
Section 2: Executive Summary of Project
(Limit to one page)

This detailed description of your project must contain the following information:

- 1) legal of applicant entity
- 2) applicant type (planning or working capital)
- 3) applicant type
- 4) amount of grant request
- 5) a summary of your project
- 6) project goals
- 7) how you intend to use the grant funds

Application Template

- **Section 3: General Eligibility Requirements**
 - Applicant type
 - Multiple grant requests
 - Currently active grant
 - Reserve fund request (as applicable)

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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
- 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)

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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

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Application Template

- **Section 4: Applicant Eligibility**
 - **Ag Producer** - 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:
 - Independent Producers
 - Agricultural Producer Groups
 - Farmer or Rancher Cooperatives
 - Majority-Controlled Producer-Based Businesses



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Applicant Eligibility

There is NO rural requirement:

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

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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:**

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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.
(\$1.8 million this funding cycle)



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.

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Application Template

- **Section 5: Project Eligibility**
 - Value-added product methodology
 - Expansion of customer base
 - Increased revenue from the process returned to the producer



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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

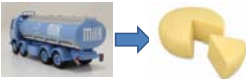
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Change in Physical State

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




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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.



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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.

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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.



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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.

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All applicants must demonstrate:


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



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Expansion of customer base


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



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Greater portion of revenue returned to producers


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



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Purpose Eligibility


- 2 types of grants
- Use of funds
- Budget & Work Plan



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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.

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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

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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.

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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 .

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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.

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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

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Examples of **Ineligible** Uses of Funds Most common issues

- Expenses related to agricultural production/harvesting
- Planning, building, or repairing facilities
- Conflict of Interest or the Appearance of Conflict of Interest
- Use of grant funds to pay self or associated parties for subject raw commodity
- Entertainment expenses
- Equipment expenses

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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.

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Work Plan & 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

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Work Plan & Budget

- 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.

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Task Budget Format

You must provide a budget table for each task that will be completed for each main activity and a detailed explanation/clarification for each task budget, including the basis for valuation for each budget line item.

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Work Plan & Budget

- 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.

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Summary Budget Templates

Activity #	Task Name, Description, and Responsible Party	Start Date	End Date	Costs (Personnel, Supplies, Materials, etc.)	Matching Funds	Total Project Costs
TOTAL PROJECT						

Program Income estimate (WC only)

Activity #	Task Name, Description, and Responsible Party	Start Date	End Date	Program Income
TOTAL PROJECT				

Individual Task Budget Templates

Activity #	Task Name, Description, and Responsible Party	Start Date	End Date	Personnel	Supplies	Materials	Travel	Total
TOTAL PROJECT								

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Application Template


➤ **Section 6: Evaluation Criteria**

- Performance Evaluation Criteria
- Proposal Evaluation Criteria

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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
- Working capital applicants record data on expansion of customer base and increase in revenue from the Applicant eligibility section



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Proposal Evaluation Criteria



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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)

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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.

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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.

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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.

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Work Plan & Budget

➤ **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

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Matching Funds must be...




- Equal to at least the grant amount (at least 50 percent of total project costs) *recommend matching funds be exactly 50 percent of project – not more*
- 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

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Matching Funds must be in the form of...


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



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Matching funds must be certified and verified in application


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




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Grant Period Eligibility

VAPG




- 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).

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 **Completeness Eligibility**

- Applications must contain **ALL** required elements to be eligible to compete for funds
- Information submitted after the application deadline cannot be accepted
- Tips:
 - Refer back to the checklist at the front of the template
 - Answer each question in the template
 - Turn into USDA a month early for review and suggestions


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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.

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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

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We encourage you to contact our office to discuss your project.

Bobbie Morrison 517 324-5222
Natalie Garr 517 324-5223
Traci Smith 517 324-5221