



Value Added Producer Grants

FY 2020

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Program Basics

- Grant program to help independent agricultural producers enter into value-added activities
- Applicants can apply for a working capital or planning grant – but not both
- Maximum grant for working capital is **\$250,000**
- Maximum grant for planning is **\$75,000**
- Grant funds cannot exceed 50% of the total project cost
- Maximum Project Period – 36 months

Eligible Applicants

Independent Producers (IP)

Agricultural Producer Groups (APG)

Farmer or Rancher Cooperatives (COOP)

Majority-Controlled Producer Based
Business Ventures (MCPBBV)

Independent Producer

- Individual Agricultural Producers or entities that are solely owned and controlled by Agricultural Producers. Independent Producers must produce and own more than 50 percent of the Agricultural Commodity to which value will be added as the subject of the Project proposal.
- **Ag Producers:** An individual or entity that produces an Agricultural Commodity through participation in the **day-to-day labor, management, and field operations**; or that has the legal right to harvest an Agricultural Commodity that is the subject of the VAPG project.
- Agricultural producers may own or lease the land or other production resources.
- Note that Agricultural Producers are not required to be located in rural areas in order apply for the program.
- A Steering Committee must apply as an Independent Producer and form a program-eligible legal entity prior to execution of the grant agreement by the Agency.

Agricultural Producer Groups (APG)

- **A nonprofit membership organization** that represents **Independent Producers** and whose mission includes working on behalf of Independent Producers and the majority of whose membership and board of directors is comprised of Independent Producers. The Independent Producers, on whose behalf the value-added work will be done, must be confirmed as eligible and identified by name or class.
- Examples of eligible entities include state, regional, or national farmer or commodity associations.
- For profit producer-based entities should apply in one of the other three eligible applicant categories.

Farmer or Rancher Cooperatives (COOP)

- A business owned and controlled by Independent Producers that is incorporated, or otherwise identified by the state in which it operates, as a cooperatively operated business. The Independent Producers, on whose behalf the value-added work will be done, must be confirmed as eligible and identified by name or class.
- Applicants must indicate the percentage of total ownership shares owned by Independent Producers and the total number of Independent Producers on whose behalf the project work will be done.
- Note, if a cooperative is owned and controlled by agricultural Harvesters (fishermen, loggers), it is eligible to apply only as an Independent Producer and not as a Farmer or Rancher Cooperative because harvesting operations do not meet the definition requirements for a Farm or Ranch; and priority points will not be awarded.

Majority-Controlled Producer Based Business Ventures (MCPBBV) – (Revised with 2018 Farm Bill)

- An entity (except Farmer or Rancher Cooperatives) in which more than 50 percent of the financial ownership and voting control is held by the following:
 - 1 or more producers; or
 - 1 or more entities, 100 percent of the ownership and control of which is held by 1 or more producers.
- The term 'entity' can be one of the following:
 - Partnership
 - Limited Liability Corporation
 - Limited Liability Partnership
 - Corporation
- Independent Producer members must be confirmed as eligible and must be identified by name or class, along with their percentage of ownership.
- The statute directs that funding awards to this applicant type is limited to 10 percent of available funds.

Eligible Applicants (cont.)

- The applicant must ‘currently’ produce the raw commodity at time of **application**, meaning that they must be in active production or between seasons with a commodity produced the previous season, at the time of application. Therefore, applicants who have not yet begun farming are not eligible.
- A grant shall have a term that does **not exceed 3 years**, and a project **start date within 90 days of the date of award.**
- If an Applicant has an active value-added grant at the time of a subsequent application, the currently active grant must be closed out within **90 days** of the new application submission deadline.

Agricultural Commodity

- An unprocessed product of farms, ranches, nurseries, forests, and natural and man-made bodies of water, that the Independent Producer has cultivated, raised, or harvested with legal access rights.
- Agricultural commodities include plant and animal products and their by-products, such as crops, forestry products, hydroponics, nursery stock, aquaculture, meat, on-farm generated manure, and fish and seafood products.
- Agricultural commodities do not include horses or other animals raised or sold as pets, such as cats, dogs, and ferrets.

Value-Added Agricultural Product

Has undergone a Change in Physical State

Is aggregated and marketed as a Locally-Produced Agricultural Food Product

Value-Added Agricultural Product (cont.)

Was Produced in a Manner that Enhances the Value of the Agricultural Commodity

Is Physically Segregated in a manner that results in the enhancement of the value of the Agricultural Commodity

Is a source of Farm- or Ranch-based Renewable Energy, including E-85 fuel

Value-Added Agricultural Product (cont.)

- As a result of the Change in Physical State or the manner in which the Agricultural Commodity was produced, marketed, or segregated:
 - The customer base for the Agricultural Commodity is expanded

and
 - A greater portion of the revenue derived from the marketing, processing, or physical segregation of the Agricultural Commodity is available to the producer of the commodity.

Change in Physical State

- An irreversible processing activity that alters the raw Agricultural Commodity into a marketable Value-Added Agricultural Product. This processing activity must be something other than a post-harvest process that primarily acts to preserve the commodity for later sale.
- Examples of **eligible Value-Added Agricultural Products** in this category include, but are not limited to, fish fillets, diced tomatoes, bio-diesel fuel, cheese, jam, and wool rugs.
- Examples of **ineligible products include**, but are not limited to, pressure-ripened produce, raw bottled milk, container grown trees, young plants, seedlings, or plugs; and cut flowers.

Produced in a Manner that Enhances the Value of the Agricultural Commodity

- The use of a recognizably coherent set of agricultural production practices in the growing or raising of the raw commodity, such that a differentiated market identity is created for the resulting product.
- Examples: sustainably grown apples, eggs produced from free-range chickens, or organically grown carrots.
- The Agency intends that these applications demonstrate a non-standard agricultural production method that adds value to the agricultural commodity per unit of production over a standard production method, and include a quantifiable comparison with products produced in the standard manner.

Physically Segregated

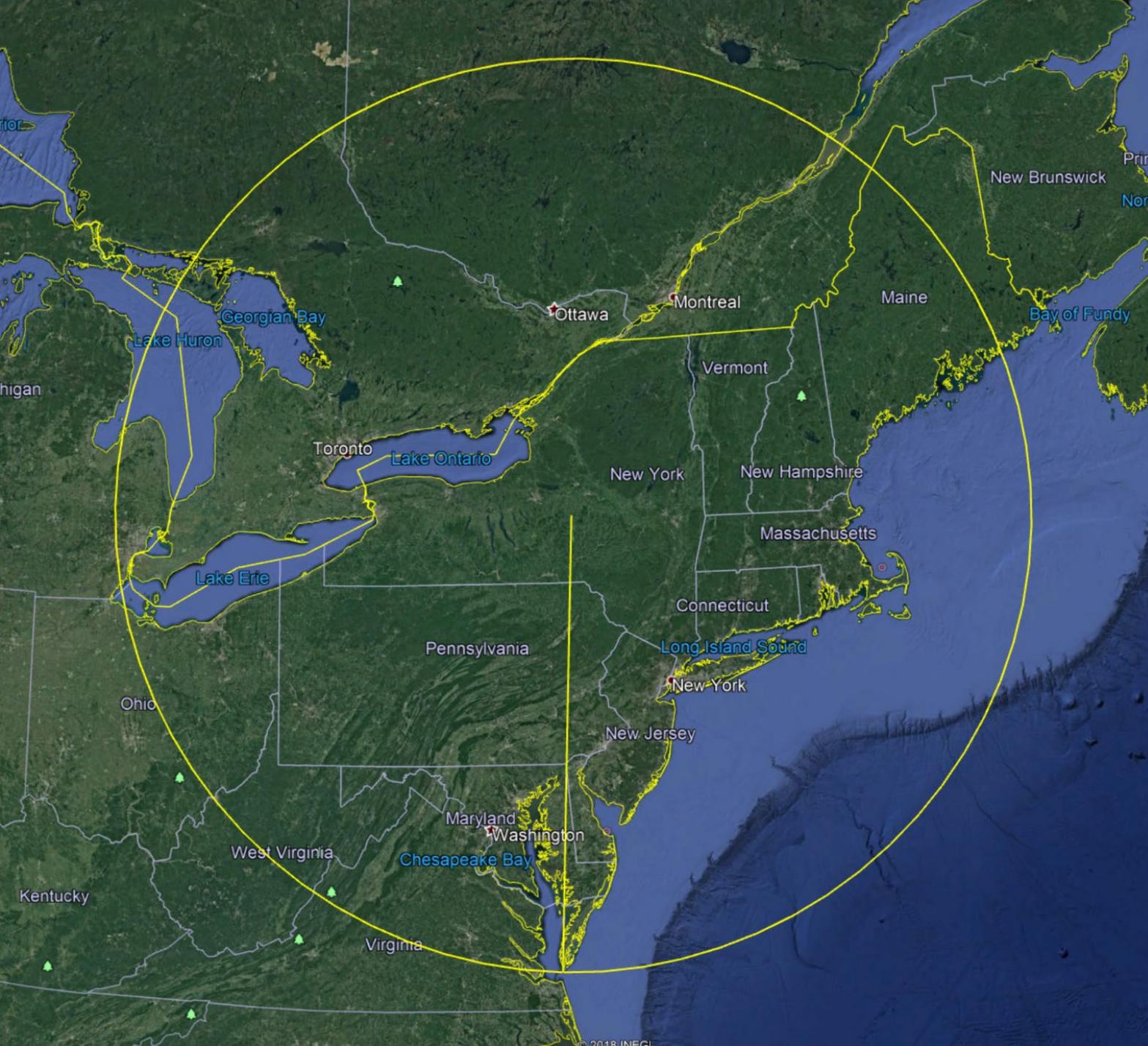
- Separating an Agricultural Commodity or product on the same farm from other varieties of the same commodity or product on the same farm during production and harvesting, with assurance of continued separation from similar commodities during processing and marketing in a manner that results in the enhancement of the value of the separated commodity or product.
- An example of a segregated product is non-GMO corn separated from GMO corn.

Locally-Produced Agricultural Food Product

- Any **Agricultural Food Product**, that is raised, produced, and distributed in:
 - The locality or region in which the final product is marketed, so that the total distance that the product is transported is less than 400 miles from the origin of the product;or
 - The State in which the product is produced.
- Applications must document that **100 percent** of the Agricultural Food Product will be marketed and distributed within 400 miles of the farm that produced the commodity, or within the same state as that farm.
- Applications must quantify how local sales and marketing results in added value to the Agricultural Food Product.

Agricultural Food Product (Local Foods)

- Agricultural food products can be raw, cooked, or processed edible substances, beverages, or ingredients intended for human consumption.
- These products **cannot** be animal feed, live animals (except for seafood products customarily sold and/or consumed live), non-harvested plants, fiber, medicinal products, cosmetics, tobacco products, or narcotics.



400 mile
radius from
CNY

Planning Applications

- Facilitate the development of a defined program of economic planning activities to determine the viability of a potential value-added Venture.
- Specifically for the purpose of paying for conducting and developing one or more of the following:
 - Feasibility Study
 - Business Plan
 - Marketing Plan
- Must be associated with the processing and/or marketing of a Value-Added Agricultural Product.

Working Capital Applications

- Provide funds to operate a value-added project, specifically to pay the eligible project expenses related to the processing and/or marketing of the Value-Added Agricultural Product.
- Examples of eligible expenses:
 - Paying salaries of employees without ownership or Immediate Family interest to process and/or market and deliver the Value-Added Agricultural Product to consumers
 - Paying for raw commodity inventory (less than 50 percent of the amount required for the project) from an unaffiliated third party
 - Paying for a marketing campaign for the Value-Added Agricultural Product
 - Paying for product labels, containers, inventory boxes, cans, cartons etc.

Working Capital Applications (cont.)

- Pay for retail slotting fees
- Distribution cost (including delivery fees)
- Ag Processing fees such as meat processing fees, pasteurization and bottling fees, or cut and wash fees
- Paying for utilities to run the Ag Processing facility/storefront – electric, gas, water, sewer, internet, phone. Cannot cover utility cost to run the Ag Production side of the business
- Farmers Market fees (including event and admission fees associated with selling and marketing your product e.g. Fancy Food Show)
- Designing or purchasing a financial accounting system for the project (including point of sale hardware and software)

Ineligible Expenses

- Fund expenses related to the production of any Agricultural Commodity or product, including, but not limited to production planning, purchase of seed or rootstock or other production inputs, labor for cultivation or harvesting crops, and delivery of raw commodity to a processing facility;
- Support costs for services or goods going to or coming from a person or entity with a real or apparent Conflict of Interest
- Pay costs for scenarios with noncompetitive trade practices
- Plan, repair, rehabilitate, acquire, or construct a building or facility (including a processing facility)
- Purchase, lease purchase, or install fixed equipment, including processing equipment
- Purchase or repair vehicles, including boats
- Pay for the preparation of the grant application
- Pay expenses not directly related to the funded project for the processing and marketing of the Value-Added Agricultural Product

Ineligible Expenses (cont.)

- Fund research and development
- Fund political or lobbying activities
- Fund architectural or engineering design work
- Conduct activities on behalf of anyone other than a specifically identified Independent Producer or group of Independent Producers, as identified by name or class. The Agency considers conducting industry-level feasibility studies or business plans, that are also known as feasibility study templates or guides or business plan templates or guides, to be ineligible because the assistance is not provided to a specific group of Independent Producers;
- Pay for goods or services from a person or entity that employs the owner or an Immediate Family member
- Duplicate current services or replace or substitute support previously provided
- Pay any costs of the project incurred prior to the date of grant approval, including legal or other expenses needed to incorporate or organize a business
- Purchase land
- Purchase the Agricultural Commodity to which value will be added(raw commodity) from the applicant entity; applicant-owned or related entity, or members of the applicant entity

Emerging Market Projects

- A new or developing, geographic or demographic market that is new to the Applicant or the Applicant's product.
- To qualify as new, the Applicant cannot have supplied this product, geographic, or demographic market for more than two years at time of application submission.
- Agriculture Producer Groups, Farmer or Rancher Cooperatives, and Majority-Controlled Producer Based Businesses **must** propose emerging market projects.

Market Expansion Projects

**** For Independent Producer Applications Only ****

- Projects that seek to expand the market for an existing value-added product (produced and marketed by the applicant for at least 2 years at time of application) through sales to demonstrably new markets or to new customers in existing markets
- Applicants meeting this definition may submit a Business Plan or Marketing Plan for the value-added project in lieu of a Feasibility Study

Evaluation Criteria

- Each eligible application is scored by one USDA employee and two Independent Reviewers. Scores are then averaged together and combined with any priority points.
- Feasibility Studies, Business Plans, and Marketing Plans are not used by reviewers for scoring purposes. They are only used for eligibility determinations. Independent Reviewers do not see the Feasibility Studies, Business Plans, or Marketing Plans.
- Maximum 100 points – Applications must score at least 50 points to be considered for funding

Evaluation Criteria (cont.)

- Nature of the Proposed Venture (graduated score 0 - 30 points)
- Qualifications of Project Personnel (graduated score 0 – 20 points)
- Commitments and Support (graduated score 0-10 points)
- Work Plan and Budget (graduated score 0 – 20 points)
- Priority Points (lump sum score 0 or 5 points, and graduated score 0 – 5 points)
- Administrator Priority Categories (graduated score 0 - 10 points)

Nature of the Proposed Venture

- 0 points will be awarded if you do not address the criterion.
- 1-5 points will be awarded if you do not address each of the following: technological feasibility, operational efficiency, profitability, and overall economic sustainability.
- 6-13 points will be awarded if you address technological feasibility, operational efficiency, profitability, and overall economic sustainability, but do not reference third-party information that supports the success of your project.
- 14-22 points will be awarded if you address technological feasibility, operational efficiency, profitability, and overall economic, supported by third-party information demonstrating a reasonable likelihood of success.
- 23-30 points will be awarded if all criterion components are well addressed, supported by third-party information, and demonstrate a high likelihood of success.

Third-Party Information

Examples of third party information supporting your project:

- Referencing feasibility study conclusions submitted with application.
- Support letters from reputable organizations (e.g. CCE) supporting your project's feasibility. The letter should include brief information on data used for their support.
- Customer Surveys showing demand for the value added product.

Qualifications of Project Personnel

- 0 points will be awarded if you do not address the criterion.
- 1-4 points will be awarded if qualifications and experience of all staff is not addressed and/or if necessary qualifications of unfilled positions are not provided.
- 5-9 points will be awarded if all project personnel are identified but do not demonstrate qualifications or experience relevant to the project.
- 10-14 will be awarded if most key personnel demonstrate strong credentials and/or experience, and availability indicating a reasonable likelihood of success.
- 15-20 points will be awarded if all personnel demonstrate strong, relevant credentials or experience, and availability indicating a high likelihood of project success.

Commitments and Support

- Letters of commitment by producers, end-users, and third-parties should be summarized as part of your response to this criterion, and the letters must be included in Appendix C.
- Please note that because applications with cash matching contributions are awarded more points than those pledging only in-kind contributions, applicants will not be able to substitute an in-kind match for cash after awards are made.
- VAPG does not require Congressional letters of support, nor do they carry any extra weight during the evaluation process.

Commitments and Support – Independent Producer Section

- 1 point - Sole Proprietor (one owner/producer) as documented in Section 4 Applicant Eligibility
- 2 points - Multiple Independent Producers (note: in cases where family members, such as husband and wife are eligible Independent Producers, each family member will count as one Independent Producer) as documented in Section 4 Applicant Eligibility

Commitments and Support – End-user Commitments

Evaluated based on potential or identified markets and the potential amount of output to be purchased, as indicated by letters of intent or contracts (purchase orders) from potential buyers referenced within the application. Applications that demonstrate documented intent to purchase the value-added product will receive more points.

- 0 points - No or insufficiently documented commitment from end-users
- 1 point - Well-documented commitment from one end-user
- 2 points - Well-documented commitment from more than one end-user

Commitments and Support – Third-party Commitments

Third-party commitments to the project will be evaluated based on the critical and tangible nature of their contribution to the project, such as technical assistance, storage, processing, marketing, or distribution arrangements that are necessary for the project to proceed; and the level and quality of these contributions. Applications that demonstrate strong technical and logistical support to successfully complete the project will receive more points.

- 0 points - No or insufficiently documented commitment from third-parties
- 1 point - Well-documented commitment from one third-party
- 2 points - Well-documented commitment from more than one third-party

Commitments and Support - Nature and quality of commitment

Nature and quality of commitment (as verified in Appendix D) will be evaluated based on strength of matching contributions. Applications showing strong financial commitment in the form of cash matching contributions will receive more points.

- 1 point - All matching contributions are in-kind
- 2 points - Matching contribution consists of both cash and in-kind
- 4 points - All matching contributions are cash

Work Plan and Budget

Points will not be awarded unless sufficient detail is provided to determine that both grant, and matching funds are being used for qualified purposes and are from eligible sources without a conflict of interest. All Working Capital requests must include an estimate of Program Income expected to be earned during the grant period.

Points will be awarded as follows:

- 0 points will be awarded if you do not address the criterion.
- 1-7 points will be awarded if the work plan and budget do not account for all project goals, tasks, costs, timelines, and responsible personnel.
- 8-14 points will be awarded if you provide a clear, comprehensive work plan detailing all project goals, tasks, timelines, costs, and responsible personnel in a logical and realistic manner that demonstrates a reasonable likelihood of success.
- 15-20 points will be awarded if you provide a clear, comprehensive work plan detailing all project goals, tasks, timelines, costs, and responsible personnel in a logical and realistic manner that demonstrates a high likelihood of success.

Priority Points Part 1

5 priority points for any of the following categories:

- Beginning Farmer or Rancher – Reserved Funds
- Veteran Farmer or Rancher
- Socially Disadvantaged Farmer or Rancher – Reserved Funds
- Mid-Tier Value Chain Project – Reserved Funds
- Operator of a Small- or Medium-sized Farm or Ranch Structured as a Family Farm or Ranch
- Farmer or Rancher Cooperative

Priority Points – Part 2

Only for Agricultural Producer Groups, Farmer and Rancher Cooperatives, and Majority-Controlled Producer-Based Business Ventures

- 2 points - The existing ownership/membership of the applicant is comprised of more than 50 percent of any one of the four priority categories, OR more than 50 percent of any combination of the four priority categories.
 - Beginning Farmers or Ranchers
 - Socially-Disadvantaged Farmers or Ranchers
 - Veteran Farmers or Ranchers
 - Operators of Small- or Medium-sized Farms or Ranches structured as Family Farms
- 1 point - The existing membership of the applicant is comprised of two or more of the priority groups (1 point is awarded regardless of whether a group's membership is comprised of two, three, or all the four priority groups).
- 2 points – The applicant's proposed project will increase the number of priority groups that comprise ownership/membership by one or more priority group, the application is eligible to receive two points*.

Administrator Priority

The Administrator of USDA Rural Development Business and Cooperative Programs has discretion to award up to 10 points to an application to improve the geographic diversity and/or foster persistent poverty counties and/or help reduce unemployment through job creation of awardees in a fiscal year and/or to ensure that funds are distributed more broadly to help improve life in rural America, by awarding points to eligible **applicants who have never previously been awarded a VAPG grant.**

If you want to be considered for these discretionary points, you must discuss how your work plan and budget supports one or more of the five following key strategies:

- Achieving e-Connectivity for Rural America
- Improving Quality of Life
- Supporting a Rural Workforce
- Harnessing Technological Innovation
- Economic Development



Hemp

- Growers must first be licensed or authorized under a State hemp program, a Tribal hemp program, or the USDA hemp program.
- The program you are licensed under depends on the location of your hemp growing facility. The first step is to contact your State department of agriculture or Tribal government to confirm whether a production plan has been submitted to or approved by USDA (as of 12/12/2019 NYS has not submitted a plan to AMS).
- If your State or Tribe has an approved plan or is in the process of developing a plan, you must apply and be licensed or authorized under its hemp program.



Photo courtesy of U.S. Department of Interior – Fish & Wildlife



Hemp (cont.)

- If NYS does not have a plan nor intends to have a plan, growers can apply for a license to become a producer under the USDA hemp production program. USDA will maintain a list of States and Tribes that have been approved on our website.
- You cannot receive a hemp production license from a State, Tribe, or USDA, if you have been convicted of a felony related to a controlled substance in the last 10 years.
- USDA AMS application website:
- <https://www.ams.usda.gov/rules-regulations/hemp/information-producers>



Questions & Answers

Your questions

Your comments

General discussion

