

Value Added Producer Grant: What You Need to Know



PRESENTED BY:

	<h1>ACRE</h1>	Agribusiness Center for Research & Entrepreneurship	<p>MATSUN CONSULTING AGRIBUSINESS SOLUTIONS</p>
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USDA
**Rural
Development**

Committed to the future of rural communities.



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1/7/2021

Webinar Agenda



- Overview of Value-Added Producer Grant eligibility and requirements
- Review of VAPG Scoring and what reviewers want
- Lessons learned from a past applicant: Woodland Valley Mushrooms
- Comments from Rural Development
- Contacts and information on who can help

Please place questions in the chat box



Is the VAPG right for you?



- Must be a farmer or producer with commodity currently in production
- Must be producing a majority of the commodity
- Only for value-added projects
- Does not cover production costs
- Must provide a match- grant funds are reimbursed
- Substantial time commitment to apply (70-100 hours)



Introduction to the VAPG



**Up to
\$250,000 for
working
capital project**

**Up to \$75,000
toward
planning
projects**

**Available
funding
~\$33 million**

**Applications
Due March 22,
2021**

Types of VAPGs

- **Planning:**

Up to \$75,000

- Business Plan
- Feasibility Study
- Marketing Plan
- Research and Other Planning Activities

- **Working Capital:**

Up to \$250,000

- Processing Costs
- Marketing Expenses
- Salary Expenses
- Inventory Expenses
- Operational Expenses
- Non-farming Expenses

Unallowable Expenses



No
Trucks,
Tractors,
Or Buildings!

What you can't pay for



- No Farm production expenses
- No Equipment
- No major repairs or maintenance
- No seeds, farming supplies, or feed



What you can't pay for



- No family labor
- No owner salaries (may be used at in-kind match)
- No labor associated with planting and harvesting
- No payments to applicants or other businesses with the same owners



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What you can pay for



- ✓ Marketing
- ✓ Processing
- ✓ Supplies
- ✓ Mask, gloves, cleaner, sanitizer, etc.
- ✓ Non-family and non-production labor (gross payroll including taxes, etc.)
- ✓ Expenses related to processing, marketing, and selling your value-added product



Applicant Eligibility



All applicant types must:

- **Currently produce and own** more than 50% of the commodity used for the Value-Added product.
- Own the product through production of the Value-Added product to sale
- Be involved in the **day-to-day** labor, management, and operations of the farm
- Provide documentation as proof of ownership and eligibility

Applicant Eligibility



Four eligible applicant types:

- **Independent Producer:** Sole owner or multiple owners, 100% agricultural producers
- **Agricultural Producer Group:** nonprofit membership group; majority of members/board are Independent Producers
- **Farmer or Rancher Cooperatives:** Legally incorporated or identified by the State as a cooperative
- **Majority-Controlled Producer Based Businesses:** Majority ownership held by Independent Producers

Product Eligibility



The following are common value-added methods:

1. **Change in Physical State: Irreversible process**
 - Fruit into wine, milk into butter, livestock into packaged meat
2. **Locally Produced Agricultural Food Product: Sold within 400 miles, or the state in which it was produced.**
3. **Produced in a manner that enhances value: Different from standard production**
 - Typically organic

Product Eligibility



These methods are less common but still eligible:

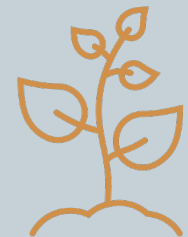
4. Physical Segregation: Separated from standard commodity
 - Genetically modified corn

5. Farm-Based Renewable Energy: Commodity used to generate energy for use by the applicant
 - Dairy manure into methane; corn to biodiesel

Types of Working Capital Applications



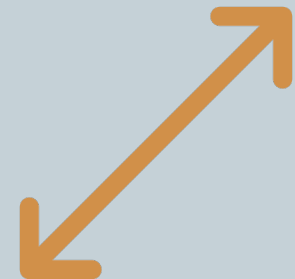
- **Emerging Market:** Focus on **new** product and/or **new** geographic or demographic markets
 - New = have supplied the product or market for more than less than 2 years
 - Required for Agricultural Producer Group, Farmer or Rancher Cooperatives, or Majority Controlled Producer Group. Optional for Independent Producers
 - Requires both project-specific feasibility study and business plan



Types of Working Capital Applications



- **Market Expansion:** Only available to Independent Producers
 - For value-added products sold for at least two years.
 - Must focus on sales to new customers.
 - Must submit a business plan or marketing plan for the product and markets
 - Needs new customers and increased revenues



Types of Working Capital Applications



- **Simplified Application:** For all projects requesting less than \$50,000 in grant funds.
 - No business plan or feasibility study required



Matching Funds



- **What are matching funds?**
 - Cost sharing requirements in order to apply for grant
- **All VAPG applications require a dollar-for-dollar match to requested funds**
 - Working capital projects requesting \$250,000 will have a total budget of \$500,000
 - Planning projects requesting \$75,000 will have a total budget of \$150,000
 - Simplified projects requesting \$49,000 will have a total budget of \$98,000



Matching Funds

Cash Match

- Savings or Checking accounts in owner or business name
- Retirement accounts
- Line of Credit or Loan
- Third-Party Cash

In Kind Match

- Owner/ employee time toward eligible activities (not billed to the project)
- Inventory of product
- Donated products or services

Note: Applications providing 100% cash match can receive full points

Grant Writing Basics



Keep it clear and concise

Answer all the questions

Edit, edit, edit

Provide support

Attach all documents

What is Required?



- DUNS, SAM, and EIN registration
- Application (paper or electronic)
- All requested attachments (including letters of support)
- Federal Forms
- Business Plan and/or Feasibility Study

DUNS and SAM



Get these early!

- **DUNS Number**
 - Required to apply for Federal grant funding
 - Required to register for a SAM Code
- **SAM Code (System for Award Management)**
 - Allows for payment of grant disbursements
 - Requires a DUNS Number, tax ID, business information
 - Typically takes 1-2 hours to apply- be prepared!

Both are ALWAYS free

Writing Your Application

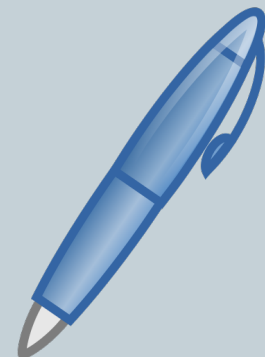


- Use the template provided from the USDA
- Answer all the question, fill in all the blanks, and check all boxes that apply
- Keep your writing focused on the specific project
- Focus on the identified priorities of the program
- Explain your project in logical steps
- Reference support documents and attachments (business plan, letters, etc.)

Edit, Edit, Edit



- Conduct multiple rounds of edits
- Check for:
 - Voice and tone
 - Opportunities for concision
- Use correct formatting
 - Margins
 - Line spacing
 - Type style
 - Page limits – do not exceed



Support Documents



- Articles of Organizations/ Incorporation
- Letter of Good Standing from State Corporation Commission
- Tax forms such as Schedule F or others to show farm income
- Lease agreements, certifications, and other documents specific to your operations.

These are required as proof of grant eligibility

Support Documents



- Excerpts from research articles and websites to support your claims
- Business plan, marketing plan, or feasibility study (if applicable)
- Letters of support or commitment

Get these together ahead of time!

Letters of Support

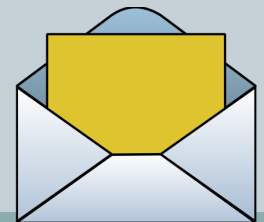


Letters of Support and/or commitment are required

Three types of Support:

- 1. Producer Support:** Other farmers involved in or benefiting from the project. Ex: Farmers who will provide additional commodity or inputs
- 2. End-User Support/ Commitment:** Customers stating a desire or intent to purchase your product. Contracts show strong commitment.
- 3. Third-Party Support:** All others involved in or supporting the project. Community organizations, distributors, processors, etc.

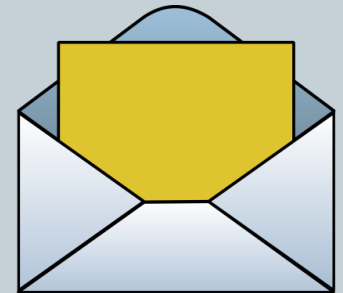
These take time to get, start early!



Letters of Support



- Pre-write templates with specifics about your relationship to provide to supporters
- Set a due date for letters and follow up often
- Use other forms of documentation to show support
 - Newspaper, magazine articles
 - Social media comments
 - Survey results
 - Customer comment cards



Required Forms



- **Federal Forms:**
 - SF424 – Application for Federal Assistance
 - SF424-A – Budget Information-Non-Construction Programs
 - SF424-B – Assurances-Non-Construction Programs
 - AD3030 – Representations Regarding Felony Conviction and Tax Delinquency Status for Corporate Applicants

Writing Your Business Plan



Typical Business Plan Outline



- Executive Summary
- Business Description
- Products & Services
- Marketing & Selling
- Pricing
- Financing
- Appendices
 - *Income Statement, Balance Sheet*
 - *Resumés of Key Personnel*
 - *Supporting Documentation*

Feasibility Study



Analysis of capabilities of the project and business conducted by third party.

- Must be completed by independent party
- Description of products or services
- Analysis of market
- Operational requirements and technical considerations
- Management and personnel
- Financial feasibility analysis (must include financial statements)

Must be related to proposed project!

Summary



- Plan ahead
- Develop/Strengthen beneficial partnerships
- Develop steps to accomplish the grant
- Follow instructions for submitting proposals
- Edit, Edit, Edit!

Good Luck

