

"[Click and insert application title here]"
A 2008 Value-Added Producer Grant Planning Application

Submitted by:

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"[Click and insert date here]"

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RD Instruction 4284.910c(3)

Executive Summary. A summary of the proposal should briefly describe the project including goals, tasks to be completed and other relevant information that provides a general overview of the project. In this section the applicant must clearly state whether the application is for a Planning Grant or a Working Capital Grant and the amount requested.

Example #1

EXECUTIVE SUMMARY

DAIRY COMPOST PRODUCTION AND MARKETING OPERATION

Purpose: Planning Grant Amount: \$10,000

Goals: Dairy seeks to create an additional revenue stream through processing and marketing a high quality compost product. This composting operation would involve the use of new technology. A relationship is being developed with a specialty manufacturer of a piece of equipment used in the composting process. This equipment would convert raw dairy waste into a high-quality composting product in a single operation. This new technology would be superior to more conventional means of composting animal waste.

Tasks to be completed:

1. **Economic & Market Feasibility** -- a detailed study of the industry is necessary to determine the potential markets for the compost product. This will involve an analysis of the pricing of the product based upon nutrient quality, transportation costs, and the number of potential markets. Also a study of the various wholesale and retail market outlets for compost.
2. **Technical & Financial feasibility** -- a determination will need to be made as to the ultimate cost of the needed equipment. This equipment may need to be modified or redesigned to meet the needs of this particular application. The study will include an estimation of the cost of producing the product on a per unit basis. This information will be used in the development of pro forma financial statements including the analysis of a rate of return for the venture.
3. **Business Planning:** if the results of the various aspects of feasibility are favorable than the project would be transitioned into business planning. In this operation a more detailed program will be developed as it relates to marketing and sales, distribution strategy, production and management, and financial analysis.

Other information: Dairy is a 900 cow dairy operation with a conventional waste management system. The current system involves the spreading of the waste on farm acres in the local community. There are a number of agreements in place in which farmer - producers accept this product as a source of fertilizer and soil nutrients.

Example #2

In 1984, twelve California Jersey cow dairy farmers founded Cheese Company Inc. (CC) in order to make cheese from their high-protein milk. It is now the largest and fastest growing cheese company in the USA. In addition to their cheese business, the company has a whey processing division, part of which, manufactures edible lactose and protein powders. Whey processing produces various co-product streams that were traditionally considered waste. Research has identified the potential to create a new animal feed from the whey by-product stream.

As part of its current expansion plans, CC has identified an opportunity to expand its market for animal feeds. To implement this, Cheese needs to develop a detailed business plan to understand the California animal feed market and what, if any, additives would make the whey derived animal feed competitive in the marketplace.

1. Analyze the market opportunities and desirable additives for whey derived animal feed in California and the Western United States.

Responsible Person: *

Consultancy Firm: Agriculture Lab

2. Develop a business plan.

Responsible Person: *

Team members: *, *, * and *,

The timeframe to complete the market analysis and business plan is September 30, 2006.

Cheese Company is therefore applying for a planning grant for \$0.

Example #3

Mangosteen is a tropical fruit that is native to Malaysia and Indonesia and is well suited to tropical and sub-tropical climates. It can take up to 10 years for a tree to mature and produce its first crop. The fruit is three to four inches in diameter and is purple in color when ripe. The rind is thick and leathery and the fruit is white and has easily separated segments. Onomea Orchards currently has 1 acre of fruiting Mangosteen trees, as well as 42 acres of other tropical fruits. We currently sell these fruits in their raw state, and have developed a fruit concentrate. The goal of this project is to develop markets for this Mangosteen concentrate that can be sold directly to customers in its concentrated form or that can be added to another product. The growing body of literature on health properties of antioxidants has increased in the past couple of years. The Mangosteen concentrate is very high in antioxidants. With the increased knowledge of the positive effects, we can provide consumers with an easily consumed suggested amount of antioxidants and other naturally occurring nutrients. Sales of this product will increase the income of Onomea Orchards thereby increasing the long term financial sustainability of their family owned and operated farm. The marketing plan will include a strategy for eventual expansion into a global market. The main

objectives of the project are to establish the feasibility of marketing our product, develop the specific target markets and produce the following documents:

1. Feasibility Study to evaluate two main possible market niches for our product. The feasibility study will also incorporate information from a nutritional content lab analysis and a processing method analysis which includes analytical Workups and specific antioxidant information. Two mainland laboratories have been located to do the more complex analysis. A local Plant Physiologist from USDA has agreed to help with some of the more general testing necessary. As part of the feasibility study, market research will be conducted by a professional marketing consultant who will establish likely niches and build relationships with potential customers.

2. Marketing Plan to outline the marketing strategy. This will include hiring a company to design product logo and packaging as well as incorporating information from the market research to outline our marketing strategies. Once the markets with the most profit potential have been identified through the feasibility study, a product development company will be hired to design appropriate labels and packaging for the value-added product for each niche. Our primary emphasis will begin with the cosmetic area as we have been contacted by a leading luxury goods company. (Attached letter)

3. Business Plan to establish efficient operational processes operations and evaluate profit potential. A professional consultant will be hired to help develop and write the business plan and the Hawaii Small Business Development Center will be contributing free guidance throughout the process. In order to accomplish these objective, we are asking for a planning grant of \$ to help us pay for the associated costs.

Eligibility Discussion

RD Instruction 4284.910c(4)

Eligibility. The narrative must include a detailed discussion of how the applicant meets the eligibility requirements.

(a) The proposed project must evidence a high likelihood of creating Value-Added for an Agricultural Product. *The purpose of the VAPG program is for producers to move into successful value-added businesses. This is not a research or a research and development program. This IS not a program to try untested ideas. Ventures should be such that there is a high probability of success.*

(b) Independent producers, Agricultural producer groups, Farmer or Rancher cooperatives and Majority-Controlled Producer-Based Business Ventures, are eligible for grants under this subpart.

Applicant Eligibility

Example #1

Organization Meets NOFA Definition

Cheese Company (CC) is a privately owned corporation founded by 12 dairy producers. Initially, the dairy producers owned all shares, but with the growth of the company, 12% of the shares were divested to immediate family members. Currently, 20 dairy producers make up 88 percent of the ownership of the company. CC produces a variety of cheese and whey products. CC cheese and whey products are sold throughout the world for use in diverse applications as frozen dinners, processed cheeses, fast food, baking ingredients, infant formulas, sports nutrition, confectioneries.

CC has the largest private milk supply on the West Coast, purchasing milk from and providing services to more than 260 dairy producers milking over 125,000 cows in the Central Valley and North Bay area of California. CC has been key in improving milk prices for dairymen in California by offering innovative pricing systems.

In addition to manufacturing, CC operates an educational visitor center that strives to educate consumers about such topics as environmental stewardship, nutrition, and food science.

Eighty-eight percent of the venture is owned and controlled by independent producers.

Product Eligibility

Product is Value Added

The animal feed is created by changing the physical state or form of the original commodity of milk (NOFA definition #1). CC produces cheese creating a co-product of whey. This whey is currently filtered and processed into whey protein powder and edible grade lactose powder. The processing of whey creates additional product streams once considered waste. Research has demonstrated value to use this material as a base for value added animal feed.

Purpose Eligibility

Project Purpose is Eligible

The purpose of this project is to determine the opportunities and best markets for the products then prepare the business plan for production and sales of the animal feed in late 2006.

Example #2

Applicant Eligibility

Dairy Inc. is organized as a Sub Chapter S Corporation under the laws of the State of *. Mike * is president of the corporation and owns 100% of the stock. Dairy Inc. is a stand-alone entity and has no other owners, partners or others with any material interest in the firm.

This entity owns all of the elements of production including all material inputs, products in progress, and all finished products and by-products up to the final point of sale. This ownership includes all feed products, livestock, machinery, real property, etc. All labor involved in this venture are employees of Dairy Inc.

Product Eligibility

The subject raw commodity is animal waste from a 900 cow dairy herd. According to a 2003 article by Washington State University Extension entitled "Dairy Waste Composting" this process adds value. "Composting converts manure and bedding nutrients to a more stable form, adds humic acid to the soil, increases beneficial soil organisms, improves soil tilth and aeration, reduces raw manure odors, and reduces reliance on synthetic fertilizers. Although compost is not usually marketed as fertilizer, it can add nutrients to the soil. Compost users include home gardeners, landscapers as well as farmers and local governments."

This processing involves a change in the physical state as well as the chemical state of the raw product.

Product value: The value of the product depends upon whether it will be marketed on a wholesale I or retail basis. Wholesale values would be in the neighborhood of \$20 per ton. The current method of disposal of raw manure for Dairy mc. involves agreements with local farmers to disburse the product on their crop acres. There is no return to Dairy mc. under this current arrangement.

A Texas A&M University research article entitled: "m Vessel Compo sting of Dairy Cattle Solid Waste and Utilization as a Peat Moss Substitute" indicates that a 400 cow free stall dairy will collect approximately 7 cubic yards of solid waste each day. Therefore Dairy Inc. would produce over 15 yd.3 of solid waste per day. Currently Dairy mc. has no positive return in its waste Management system. Therefore a \$10-\$20 return per cubic yard/ton would be an additional revenue center. At \$15/cubic yard this translates to \$82,125 per year.

Example #3

(the Company) is a collaboration of independent producers and the applicant for this Grant. The founding members are * of *, Maine; *, of *, * and * of *, Maine. As a limited liability company, the governing documents require the Company to be 100% owned and operated by members who are engaged in the business of alpaca farming. Each LLC member qualifies under the terms of the grant as an independent producer in that members own breeding stock producing raw fiber and is

currently and has been pursuing a variety of production and marketing strategies designed to add value to their fiber. Although the Company may use raw fiber from other alpaca farmers in connection with producing end products to achieve certain economies of scale in the production process, the added fiber purchased from other small farms represents substantially less than 50% of the total fiber processed. All fiber remains in the ownership of the three farms until such time as the end products are sold. As part of this collaboration and in establishing its business strategy, the three farms made a determination that it is of primary importance to market under a joint branding strategy. All raw goods of the three farms are combined and going forward will be processed and sold under the common label of *.

To date and with the exception of third party vendors, there are no other organizations working with the Company. It is the intent of the collaboration, however, that if successful this model will be expanded to other eligible independent producers. Similarly, discussions with existing U.S. resources working on a cooperative basis in the industry are being pursued.

Product Eligibility:

This section addresses how the various components of the finished towel product contribute to the Value-Added concept. This product will be manufactured from Company's inventory, which includes Upland cotton grown on the Native American Reservations, well suited for construction of plush, soft and highly absorbent towels. The following brand names are considered: '*' or '*"', denoting the origins of the towels with cotton grown by the Native American.

The value-adding factor can be calculated in the order of 1:5, meaning that the conversion from raw material to finished product has multiplied the original value by five-fold. For the purposes of this project, using Native American cotton in the towels and constructing a value towel for the hospitality industry are the principal contributing factors to attaining a value-added product.

Change in physical state of the cotton product

Bath towels will be made from Company's certified cotton inventory. In order to produce exceptionally soft and absorbent towels, in a collaborative effort, the manufacturer specifies which type of cotton must be dispatched from Company's warehouses and matches the specifications with their inventory. Upland cotton will be used to create the towels. Upland cotton has specific characteristics, such as fiber length and strength; micronaire (describes maturity and fineness of cotton fiber). The loops in the towels will be created also from Upland cotton. Special arrangements will be made to create towels which can endure the rigors of hotel use, such as daily laundry. In addition, the towels need to be attractive to market to the gift shop channel. The manufacturer is qualified to create such a product. The first step in this process is the shipping of the cotton bales to * Textiles in *, where the raw cotton will be spun, using a new spinning method, called Hollow Ring Spinning. The yarn produced through this method will produce towels which will mimic towels made from zero twist yarn (known to make the softest, plushest and most absorbent towels in the market). In the spinning process, Native American cotton will be blended with cotton grown outside the reservations, in a ratio of 60/40, qualifying the towels to be labeled: "Made by American Indians" Intertribal Agriculture Council Standards). Company will certify that

Native American cotton was used in the yarn for the making of the towels. The next step in the production is the weaving of the towels at * Textiles in *, accordance to the specifications for hospitality towels and the gift shop market. This step is followed by the cutting of the gray goods (towel material woven in a loom before being cut into piece goods) to create bath sheets, bath towels, hand towels, wash towels and bath mats. The final step involves finishing the towels by expert sewing to create the borders, vat or reactive dyeing (vat dyes obtained through oxidation reactive dyeing bond-in the colorant obtaining bright colors, but fugitive to chlorine based bleaches) and labeling with sewn-in labels and/or embroidery. The planning study will determine through surveys which processes to follow in the construction and finishing of the towels. By following the steps outlined above, a significant change in physical state from raw material to finished product will have been achieved.

A Native American cotton product produced and segregated to enhance value The newly planned cotton product will be manufactured in such a way that it will stand out in the market for its value and uniqueness. The towels will be constructed to be suited for two markets: the hospitality channel and the gift shop channel. The planned promotional components conveying the Native American IdP theme include the brand name and story line about the Native American. The Planning Grant will examine how customers react to the Native American logos, how this approach will motivate buyers. The towels are intended to be competitively priced. The cost to manufacture the towels is estimated at \$/set (which includes bath towel, hand towel and wash towel). Cost of embroidery, import duty, marketing and G&A cost will be added to the Cost of Goods (COG). The sum total of these additional costs is estimated to add \$/set.

The towel sets will be clearly identified for their "identity preservation" as a segregating value enhancer. The promotional program components conveying the IdP theme will include: sewn-in tags with Native American unified logo, hang tags with Native American story line, tribal logo embroidery, special website, brochures, direct mail, catalog and other promotional marketing/advertising materials. As part of the Planning Grant, the promotional materials will be tested in the market for resonance and acceptance.

Because Company owns and produces its raw material and is a direct marketer of the finished cotton product, it is projected that this venture will significantly enhance the value of the cotton at the farm gate. As a direct marketer, the towel program will eliminate a number of broker involvements in the cotton chain, resulting in savings to the program. This in turn will make the product more competitive creating greater value to the product. While it is difficult to determine how much actual dollar value will be added as a direct result of this project, for forecasting purposes, a 15% enhancement of the raw cotton value is projected. This is based on some assumptions, i.e., Native American casinos and resorts will be interested in buying the towels and that the cost to manufacture the towels not changes.

Environmental benefits add value to the product Corporate Social Responsibility is quickly becoming a business norm. More and more companies are starting to research, measure and reduce their impact on the environment. Given the deep respect Native American cultures have always had for the earth, this innovation in yarn spinning for towels will suit them perfectly. By utilizing the hollow ring spinning, we are able to achieve a weight savings of 25% over a towel with similar

absorption levels. This will help in lowering the overall environmental impact of the hotels that purchase the towels. The energy required for the constant laundering will be reduced due to shorter drying times. This may not sound significant but-the energy that goes into laundering a textile item is a high percentage of the overall environmental impact of a product; it is higher than the energy required to manufacture the item.

New and developing emerging markets and expansion of customer base.

Based on Company's considerable experience as a cotton marketer of raw cotton bales to the textile industry, this venture is a next logical step in expanding its customer base into the consumer towel market. During the last two years, Company has launched the marketing of two new towel lines in several sales channels. Entering the bath towel hospitality market with a new Native American venture will be a new market for Company, which will expand the existing customer base for the current towel lines. Marketing these towels "made by American Indians" to the casinos, resorts and gift shops on the reservations, is not only new for Company, but has not been undertaken anywhere.

Through the planning grant this novel approach, with the Native American IdP theme, is planned in four phases. These phases will involve a gradually expanding market development which will look like this:

1. pilot program marketing to the SW Resorts and Casinos (9 casino-resorts),
2. Expansion of marketing to all US based Native American Resorts and Casinos (350 casino-resorts),
3. Expansion into the International Market in Europe and Far East (where considerable interest in Native American products has been shown in countries like Germany, Spain and France) and,
4. Expansion to the US and international consumers.

Purpose Eligibility

Example #1

Dairy Inc. Compost Production and Marketing Operation: Planning Grant-

This is a planning grant project to determine the feasibility of developing a composting operation on an existing production dairy operation with two benefits including:

1. Development of an outlet or market for processed animal waste
2. Adding another revenue producing line to increase total enterprise income.

Planning activities would include:

1. Economic feasibility: evaluate the project based upon the availability of labor, transportation, utilities, and overall economic impact.

2. Market feasibility: analyze various options for developing a sales organization including sales management. Also this aspect would include the development of a geographic and industry market area.

Research end-user markets: this would include an analysis of area businesses and industries that may have a potential need for a high-quality compost product. Initially this may include golf courses, greenhouses, lawn and garden centers, as well as wholesale distributor markets.

3. Financial feasibility: Develop a firm estimate of sources and uses of funds necessary for capital investment and working capital. Also develop financial projections of revenue sources and expenses. These would include pro forma cash flows, income statements, and balance sheets.

4. Technical feasibility: an analysis of the various technologies used in composting mentioned above. This will include the development of a workable technology based upon sight issues, environmental issues, availability of skilled management and labor, as well as the availability of equipment which is engineered to cost-effectively develop a high-quality compost product.

These technologies include:

- a. fan separator technology
- b. passive and turned windrow processes
- c. in vessel/channel
- d. extended aerated static compile
- e. vermin- composting

5. Management feasibility: a review of the organizational structure of Dairy Inc. as it relates to the skill level and time constraints of existing personnel. This aspect would answer the question as to whether additional management and labor would be required and the development of a job description outlining the skills needed.

Example #2

* County Biodiesel Development LLC is requesting a planning activities grant for a proposed biodiesel production facility. The facility will utilize at least 51 % of their soybeans from producer/owners for production of biodiesel fuel and by-products.

The grant will be utilized to fund activities that are identified as eligible planning activities as defined in "The Value-Added Producer grant 2006 Grant Application Guide". All activities listed below will utilize grant funds and are necessary for the processing and marketing of the proposed value added product:

Conduct a feasibility analysis covering all aspects of the proposed value-added venture to help determine the potential marketing success for the venture with options assuming different output assumptions.

Developing a marketing plan for the proposed value-added product, including identification of potential local and distant buyers, distribution system, promotional campaigns and other aspects of market development for financing, product development, raw materials and product sales.

Obtain legal assistance related to the proposed value added venture including, but not limited to development of the final required corporate structure, preparing for issuing a prospectus, environmental regulations, etc.

The agricultural product proposed for use by this project is the biodiesel production process using soybeans of which at least 51 % will be provided by the owner/producers of CBD. The proposed activities will provide the basis for the development of the biodiesel production facility and the marketing of the facility to area producers and the marketing of the biodiesel and the by-products of glycerin and feed stock.

GOALS OF THE PROJECT

RD Instruction 4284.910c(5)(iii) Goals of the Project. A clear statement of the ultimate goals of the project. There must be an explanation of how a market will be expanded and the degree to which incremental revenue will accrue to the benefit of the agricultural producer(s).

Example #1

Markets will be expanded

Cheese Company entered the whey products business in 1991 and began producing edible grade lactose in 1994 and since then has expanded and improved the whey business to produce 26 million pounds of whey protein concentrate and 94 million pounds of edible lactose annually. New manufacturing technology has improved production efficiency and created new product streams that were once considered waste. Research has demonstrated one of the streams can be modified into a highly effective animal feed and would add diversity to our products. As part of a focused strategy, the company wants to diversify into modified whey carbohydrate animal feed. This strategy involves the understanding the market and creating a business plan.

The goals of the project are to:

1. Complete a market analysis
2. Develop a business plan.

Degree to which incremental revenue will accrue to the benefit of the producer

Modified whey carbohydrate animal feed will benefit the producers in many ways. Selling this product will create a revenue stream and eliminate the cost of disposal. In addition, many producers may also be end-users and purchase the cost effective feed for use on their farm.

Market expansion through the market analysis

Focusing on California Secondary on Western United States

- o Define the West Coast markets for modified whey carbohydrate livestock feed in terms of product types/variants potential additives, annual usage, current customers and suppliers.
- o Analyze market sizes and market trends/dynamics as a basis for understanding market potential.
- o Evaluate the marketing environment in terms of competitive activity, and competing products, entry barriers, product specifications, etc
- o Identify market requirements in terms of price and distribution
- o Locate potential distribution channels

Modified Whey Carbohydrate Animal Feed

- o Develop potential promotional strategies including marketing and advertising.
- o Propose potential opportunities and strategies to address them for cheese company

Revenue projections through business plan

The business plan will identify the revenue projections.

- o Choose best product mix
- o Identify Target Species
- o Design Process of Manufacture
 - Develop a marketing budget
 - Analyze the cost of sales
 - Calculate overhead
 - Project cash flows
- o Calculate Cost of Production
- o Acquire commitment of capital expenditure

Example #2

GOALS OF THE PROJECT

The goal of this project is to add value to dairy waste presently generated on a 900 cow dairy by processing it into a high-quality compost product. This would benefit the enterprise two fold: by reducing or eliminating a potential liability with the current system of disbursing the product onto farmland for fertilizer and soil nutrients. The second benefit is to provide Dairy mc. an additional source of revenue from a value added product.

Example #3

Peach Packers' ultimate goal is to add value and increase profits by:

1. packaging peaches in heat-fomled clamshell packages to minimize bruising, eliminate the contamination risks associated with in-store handling, and increase shelf life;
2. taking advantage of the possibility created by our packaging to offer riper, sweeter peaches; and
3. marketing our "Tastier Peaches" in a campaign targeting merchandisers, retailers and consumers.

This planning grant provides Peach Packers with intermediate goals to serve as a springboard for achieving our ultimate goal. Our intermediate goals - to be achieved by the activities in this proposal - are to outline a streamlined operation in which no extraneous effort or expenditure remains and to carefully strategize a debut that will intensively develop this new market and realize dramatically increased profits right away.

The proposed venture is ideally situated to initiate extremely rapid expansion of a new market. No similar peach product has ever been available in our East Coast market, making this an entirely new market. At the same time the obvious and myriad benefits to merchandisers, retailers and consumers have been successfully demonstrated with apples, tomatoes and pears in heat formed clamshells. Consequently, our specific application enjoys the novelty of innovation, while the general form lends the secure, tried and true comfort of familiarity. Further, crossover from traditionally packed and marketed peaches to our "Tastier Peaches" requires no change in facility, technology or equipment for merchandisers and retailers, and offers both decreased labor and

increased profits. Crossover for consumers is likewise uncomplicated in that our "Tastier Peaches" - unlike frozen, canned, sliced or otherwise processed fruit - are simply premium fresh peaches suitable for all conventional uses.

When such a superior product with such broad appeal for merchandisers, retailers and consumers is made available with no investment beyond the purchase price, the natural and expected outcome is swift expansion of the market followed by steadily sustained demand. Through careful planning from our debut and intensive development of the market through prudent increases in production of "Tastier Peaches", Peach Packers will seek to ensure that at no point is supply likely to exceed demand. Our profit per pound for this value-added product is approximately \$ more per pound over our conventional product. So in the first year following completion of our business and marketing plans, * expects to sell approximately * pounds of our "Tastier Peaches" for an increase in profit of \$ in the second year * pounds for \$ and in the third year * for \$. The entire amount of this three year total profit of \$ will go directly to our independent owner-producers.

PERFORMANCE EVALUATION CRITERIA

RD Instruction 4284.910c(5)(v) Performance Evaluation Criteria. Performance criteria suggested by the applicant for incorporation in the grant award in the event the proposal receives grant funding under this subpart. These suggested criteria are not binding on USDA.

Example #1

Cheese Company will have a complete market analysis and business plan by September 2005 and be prepared to enter the manufacturing phase in 2005

Example #2

Potential market: Establishment of suitable wholesale and/or retail market for the volume of compost produced. The report would include a geographic listing by SIC or NAICS code of the number of available commercial prospects and a letter of intent from a partner(s) to purchase the product.

Product pricing structure: This market analysis would reveal a pricing matrix that would reflect the market value of the product based upon the criteria of product quality. A product that met higher standards in nutrient or other values would command a higher price. Also a key variable in the market discussion is the effect of transportation costs in order to move the product to the end user.

Cost analysis: Develop a unit cost for the production of compost on a per ton or per cubic yard basis. This would consider capital costs as well as operational expenses.

Capital infrastructure needs: A specific system would be selected from the various possible options and a listing of this equipment and systems. This would include a use of capital funds table with a detailed itemization of the capital investment required. Preliminary estimates indicate that capital costs for equipment could be in the neighborhood of \$500,000.

Example #3

The primary evaluation criteria that should be used to gauge the success of this grant is the project's expected and actual return on investment. To attract sufficient capital for full development of the project, we must be capable of generating returns on investment in excess of 20%. If we cannot reasonably assemble a business model capable of achieving that type of return, we won't attract sufficient capital to form the business and construct the plant. Should that be the case, other benefits are moot because they will not be realized without the existence of the plant.

Our primary strategy is to procure low-cost feedstock, convert it into higher value biodiesel, and reward participating producers through the distribution of financial returns from the biodiesel plant. Supporting strategies are intended to minimize cost of production or create product quality advantages. These supporting strategies may: involve location of the plant close to feedstock sources, use of processing economies of size and scale, use of unique technologies, sharing of resources with sister organizations, use of quality programs, etc. Regardless of the activities that are pursued or the extent to which they're achieved, in the end, the measure that best reflects the extent to which we've achieved success with those strategies, is the company's return on investment.

Other performance metrics such as increased demand for a commodity, or the creation of new markets are important, but they are secondary to the biodiesel plant's overall financial return.

PROPOSAL EVALUATION CRITERIA

Nature of the proposed venture

RD Instruction 4284.913(a)(1) Nature of the proposed venture. Projects will be evaluated for technological feasibility, operational efficiency, profitability, sustainability and the likely improvement to the local rural economy. Points will be awarded based on the greatest expansion of markets and increased returns to producers. Evaluators may rely on their own knowledge and examples of similar ventures described in the proposal to form conclusions regarding this criterion.

Applicants must carefully explain what the proposed venture is to accomplish including how the applicant will add value to the products they produce. The applicant must describe the technology that will be used (including examples of the technology being used elsewhere). They must also describe how the customer base (demand) for the value-added product will be increased, and explain how they expect that the project will produce additional profits for the producer-owners of the venture. Thus, the reviewer must address three elements for this criterion:

- (i) reasonableness (including sustainability and viability) of the venture,
- (ii) whether or not it will increase the demand for the product the producer(s) are producing, and
- (iii) whether or not the producer(s) will increase their net return from the venture.

If the applicant is a cooperative, Agricultural Producer Group, or a Majority-Controlled Producer- Based Business Venture, the proposed venture must focus on an emerging market which is defined as a new or developing market for the applicant. That is, a market the applicant has not traditionally supplied. Again, reasonableness is the controlling factor. More points should be awarded to ventures with proven technology that have a good chance of being both viable and sustainable. More points should also be awarded to proposed ventures that will expand the customer base and return more profits to producers.

Example #1

Technological Feasibility

The Cheese Company currently produces a variety of “co-products” from the whey. Dr. * has developed innovative methods using new technology to produce pharmaceutical grade lactose from edible grade lactose from its whey co-product stream. In addition, research conducted in association with Agriculture Laboratories has shown potential to create a modified whey carbohydrate product for the animal feed market. These issues, along with modified processing capabilities, have introduced new streams and opportunities to develop markets from modified whey carbohydrates livestock feed.

Operational Efficiency

Full utilization of all milk components is essential to efficiency. Currently, this co-product stream is utilized for other products. However, future growth projections will exceed demand for these products and diversification is required.

Profitability

Initial investigations into this business demonstrate an increase in profit margin over current uses as a fertilizer and soil amendment.

Sustainability

Whey is a co-product of cheese. Whey carbohydrate livestock feed is produced from a continuous source of whey and will be a sustainable business.

Improvements to the rural economy

The use of whey carbohydrate as a livestock feed benefits the rural economy by processing a potential waste product for a viable use, providing cost efficient feed and creating local jobs in marketing and distribution.

Agriculture commodity, process and description of value-added product

Modified whey carbohydrate animal feed originates from cow’s milk. As the milk is processed into cheese, the whey is drained and filtered. During reverse osmosis and ultra-filtration, various

product streams exist including protein, lactose and the stream with carbohydrates best suited for livestock feed. The end product is a nutrient rich stream that has been used is currently used as a soil amendment and foliar spray. Analysis of this stream found that not only does it positively alter micro-organisms in the soil and in the leaf environment; but also enhances the microorganisms in the rumen of beef animals. In 2003, feed trials conducted at feedlot in *, California, demonstrated positive results and the potential for developing a new animal feed business.

References and similar projects

Various literature reviews have been conducted during the research phase of this project. The reference review began in 2001 searching for information regarding whey carbohydrate uses in plant applications and moved to conducting a literature review for whey applications in feeds. New Zealand produces a similar product called “Prolig” and Australia produces a similar product known as “Delac.”

The Lactose Company of New Zealand Ltd, published “Prolig, The Liquid Stock Food, Properties and Applications (1988),” providing a detailed manual on how to assist in the use of Prolig on farms. The chemical properties and biological value of Prolig is similar to the whey carbohydrate feed proposed in this venture demonstrating the successful use in another country.

“Utilisation of the Waste Product Delac in Cattle Diets – Final Report on the Dairy Research and Development Corporation” by A.G. Kaiser, JW. Piltz, MA Friend and M.N. Silence conducted at the Charles Sturt University. This reports state, “Once considered as a waste-product Prolig is now considered a co-product of lactose production. It is sold for 9 cents/liter to local dairy farmers and is now a significant revenue earner for Lactose New Zealand. It is an energy supplement...enabling farmers to either increase stocking rate or improve cow condition over summer.”

“Industrial Pollution Prevention Case Study: Food Sector. Recovery of Cheese Whey for Use as an Animal Feed, (Misr Company for Dairy and Food, Darmietta, Egypt (July 1999) describes similar ventures in Egypt. In the United States, David J. Schingoethe, South Dakota State University, published an abstract “Feeding Whey and Molasses” discussing the potential use of whey as a source for fermentable carbohydrates.

“Affects of * on plant growth, soil micro-organisms, and nutrient availability into agricultural soils” by Nannette Cooper, TA Knauf and Joe S. Mullinax (2003) led to the potential use of the product as an animal feed.

Careful literature review and conversations with research scientists and livestock producers indicate that this project will be successful.

Cost and availability of inputs

Inputs are readily available without any additional manufacturing costs.

Type of markets

The purpose of the market analysis is to explore the best type of specific market (dairy and/or beef cattle and age).

Number of potential customers

According to the 2002 USDA agriculture census California had 1679 farms with more than 100 head of beef and 2,150 dairies. Livestock and dairy producers will be potential customers.

Cost of processing the commodity

The final cost of processing the commodity (mixing, nutrient additive or other component if necessary) will be determined in the business plan.

How much value will be added:

The market analysis and business plan will determine the exact amount of value that will be added; however, early estimates suggest that the product could create over one million dollars annually in value

How value will be distributed

The value produced by this product will be divided between Cheese and the end users of the livestock feed product.

Non-monetary value that could be obtained by end users of the product

Livestock and dairy producers using the feed may experience improved animal health and feed efficiency.

Example #2

Technical feasibility- There are several methods of producing compost using different processes and technology. An evaluation would be done of each method and the merits of each in the given application. Some methods may be more capital-intensive while others are more labor-intensive. This analysis will focus on obtaining the correct system for this specific application.

Operational efficiency- the system must be sustainable over the long term as it will need to produce marginal revenues which are over and above marginal costs. There is also a human resources component in analyzing whether existing Dairy Inc. employees can be deployed on this operation or if additional labor and management will be required.

Profitability-will be achieved by the selection of specialty markets which maximize revenue.

Those markets that will be most attractive are those that appreciate a high quality, high nutrient value product and would be willing to pay for such.

Sustainability-there are two elements of sustainability which include environmental concerns as well as financial. First an expanded market for value-added products minimizes or eliminates the concern regarding repetitive application of raw livestock waste on crop production ground.

Secondly, from a financial perspective any capital investment must be for equipment and systems that have a usable life of sufficient length so that these initial costs can be amortized over a substantial period of time.

Effects on rural economy-over the past 10 years Dairy Inc. has had a very positive economic impact in * County. This entity has created or retained 15 full-time jobs and has purchased significant production inputs from the local area. A feasible compost production system would provide additional jobs to the area as well as circulate additional money into the local rural economy.

Example #3

Nature of the Proposed Venture

Introduction

The proposed plant would be a small 3 to 5 MW baseload, renewable energy, combined heat & power plant utilizing at least 165 tpd, selling not at generator prices but at wholesale prices (distributed generation rates). The plant maximizes revenues by producing electricity for the local institutional facilities within the institutions property limits (or within 20 yards outside of the limits) thereby bypassing transmission fees and large utility profits which depress revenues. The plant would be fueled by a current waste - wood chips generated from land clearing -- thereby capturing opportunities for renewable energy. The maximum or peak demand for the City of is 15 MW; however the capacity utilization at peak level is quite low and thus better served by the wholesale grid. Instead, the company will focus on a maximum of about 3 MW of the prison's baseload power.

Revenue is earned from the sales of electricity, heat, and renewable energy & tax credits from REC's and the federal production tax credit for closed loop biomass systems. The electricity and thermal energy sales would be secured as Letters of Intent prior to applications for financing and secured as Power Purchase Agreements prior to the close of financing. Thermal energy revenues (projected at 30-50% of total) and price risks will be hedged with NYMEX natural gas contracts and forward pricing.

This project proposes to add value to local sources of Mesquite and Huisache that are considered to be a waste (having no financial or established value) or a cost (expense to cut down the Mesquite and Huisache and then burn it) by converting the resource into wood chips for use in biomass

energy plants. This allows producers to convert raw resources that are currently an expense into a revenue stream with tremendous upside potential.

Other benefits to this new value-added agricultural renewable energy project include:

- Avoidance costs to the farmers in terms of fuel to burn the pile as well as labor costs.
- Avoidance of risks associated with run-away fires from burning woodpiles created from land-clearing.
- Improved grass land production from land not burned/scorched. This in turn facilitates in increased forage production per unit of land.
- Reduction of Mesquite and Huisache pollen, particulate matter, Carbon monoxide, and Volatile Organic Compounds released into the environment from open field burning, thus improving air quality (reduced Huisache pollen).
- Reduction in disease transmission risks from tree to tree by decreasing the extreme densities of a single species on non-productive lands.
- Reduction in the water demands of high density tracts of Mesquite and Huisache or Mesquite trees, thereby diminishing the stress and increasing disease resistance of the remaining trees.

In County, *, a large amount of acreage is cleared each year for grazing land and the resulting wood is burned in piles. The American Forest Resource Council reports particulate matter produced by prescribed fires is 40 lbs per ton of woody biomass burned as compared to 0.13 lbs per ton when burned through a power plant. The council also reports that Volatile Organic Compounds (VOC's) are 19.51lbs/ton in prescribed burns versus 0 lbs/ton in power plants, and 252 lbs of Carbon Monoxide (CO) in prescribed fires as compared to 3.2 lbs per ton in power plants. The net impact of this project (potentially 60,000 tons of wood chips or 6,000 acres/year) would be to save the environment 7,500 tons of CO, 585 tons of VOC's, and 1,200 tons of particulate matter. These numbers could be easily replicated across the rural southwest if more revenues can be identified to support the expenses of procuring biomass.

This project will produce the fuel from wood wastes such as Mesquite and Huisache (the species which is ashe juniper) in central *. Ranchers regularly clear these trees in order to increase forage levels for livestock production. The practice has received increased funding in recent years from the USDA's Natural Resources Conservation Services division as well as the State Department of Agriculture.

Technological Feasibility

Eighteen biomass power plants were reviewed in the USA by G. Wiltsee in the report "Lessons Learned from Existing Biomass Power Plants" (February 2000, NREL report - NREUSR-570-26946). All of the plants studied were constructed between December 1979 to January 1998. The plants range in size from 10 MWe to 75 MWe. The locations of the American plants are in California (6), New England (3), Washington (4), with Wisconsin, Virginia and Michigan having one each. The four co-generation plants in the report are also recent plants making use of the latest technology. Some of the lessons learned in the research from previous plants are as follows:

- The highest priority at most biomass power plants is to obtain the lowest-cost fuels possible. This involves tradeoffs in fuel quality, affects the design and operation of the system, and frequently is limited by permit requirements. At the McNiel Station in Vermont, long-term fuel supply contracts insisted on by the financing institutions created some costly problems, and the plant now runs more economically by buying wood fuel under short term contracts.
- Difficult to burn agricultural residues were included at a Florida plant, but needed to be mixed in small percentages with better fuels, primarily wood
- The Tacoma WA plant found that focusing on fuel cost (cents/kWh) rather than fuels that provide the highest efficiency (Btu/kWh) and saved the plant \$600,000/yr.
- Opportunity fuels (with tipping fees) can eliminate fuel costs, generate net revenues. Fuel procurement should be one of the highest priorities and a full time job.

The one area of a biomass power plant that can almost be counted on to be mentioned in response to the question "have you had any significant problems or lessons learned?" is the fuel yard and the fuel feed system. Most plants in this report spent significant time and money during the first year or two of operation, solving problems such as fuel pile odors and heating, excessive equipment wear, fuel hang-ups and bottlenecks in the feed system, tramp metal separation problems, wide fluctuations in fuel moisture to the boiler, etc., or making changes in the fuel yard to respond to market opportunities. Key lessons learned by plants in fuel handling are:

- At Shasta (CA) the operators learned to blend all the fuels into a homogenous mixture that allowed the boilers to fire at a constant rate and maintain maximum load under all conditions, without violating environmental standards, excessively corroding heat transfer surfaces, or slagging beyond the point where the boilers required cleaning more than twice per year.
- Selecting a proven fuel system is important.
- Not letting fuel in piles become greater than 1 year of age, thereby eliminating odor problems.
- Grinders do not normally produce a product that has good flow characteristics. The wood fibers are sticky, stringy and elongated when produced from a grinding operation. The fuel product needs to be processed by equipment that produces a chip.

Many biomass plants change fuels significantly over the years, as opportunities arise or old fuel sources dry up. These changes are often not predictable. The best strategy to deal with this problem is to have a plant design and permits that allow as much fuel flexibility as possible. The emission control system with a lime spray dryer and baghouse can remove almost any significant pollutant encountered in these wastes.

Transport costs become very significant after about 20 miles, and usually prohibitive beyond 100 or 200 miles. The objective of the plant is to have waste/fuel generators deliver the fuel to the plant site at their own expense. The most successful projects have developed formal or informal partnerships with their key customers and suppliers.

In a study performed the Antares Group for the USDA, DOE and NREL, a model was proposed to utilize the enormous amount of "ladder fuel" that is causing significant forest fires across the

USA's BLM and Forest Service, territories. The report analyzes the potential profitability of "biopower plants" producing electricity for the wholesale market. This report reveals that in most cases, a biopower plant run solely on the 100 tpd of thinnings cannot be competitive on a pure market basis (2003), with no incentives or subsidies, and regardless of technology. However, the exceptions to this conclusion are those biopower plants that have a combination of low biomass feedstock price, low capital cost, and high existing alternative power (coal) prices. This report also shows that regardless of technology, the delivered cost of biomass has to be a maximum of \$10 per delivered ton to be competitive in most scenarios. This report does show that there are "economies of scale" for the biopower technologies. Larger biopower projects have better economic profiles than smaller projects. The main conclusion is that both solid fuel co-firing and combined heat and power technologies have positive economic opportunities for relatively large scale operations requiring over 600 tpd of green woody biomass. Combined heat and power siting opportunities would likely serve new or existing industrial or commercial facilities. These sites would be located in rural areas, near public lands capable of supply greater than 100 tpd of biomass and would have access to supplemental biomass suppliers to achieve scale economies. If these conditions are available at a location, then both a positive project economic opportunity is possible and the public objectives stated in the federal government's MOU signed on June 16,2003 could be attained. The conversion of biomass into thermal energy and electricity is accomplished with off the shelf technology readily available from companies such as:

- Advanced Recycling Equipment - St. Mary's, P A
- Earth Care Products Inc., Independence KS
- Chiptec, South Burlington, Vermont
- Wellons, Vancouver, W A
- Engineered Products of Idaho, Coeur d' Alene, Idaho

Operational Efficiency

The wood supply aspect of collecting waste trees from ranches and converting them to chips for hauling to the processing facility is the largest hurdle in developing the industry. While all of the equipment is commercially available and much of the labor can be subcontracted to local/regional vendors, this particular operating model for the removal of wood waste from ranch clearings and subsequent transport to a processing facility has not been previously applied. The risk could be mitigated by the use of wheeled loaders (JD 463G) with forestry shears - which require fewer operators and less maintenance per unit of productivity than bobcats which are currently used by land clearing companies. The loaders would deliver trees and limbs to the tree grinders (Morbark 4600 with tracks), and 10-ton buggies (Sunflower 8210) with tractors (JD 8230) will transport wood chips from the grinders to the ranch road where the commercial road trailers would be waiting. Tractors and buggies reduce field traffic by inexperienced highway transport drivers and can be outfitted with thick airplane tires to prevent flats due to cactus plants.

The long-term availability of adequate waste wood is a critical issue that this planning grant will evaluate. For this project to be sustainable there must be a 20-year supply of trees readily available which would require 120,000 acres (6,000 acres/year) when operating at 100% capacity.

To put the 6,000 acres/year in perspective: the state of Texas wants to see 910,000 acres cleared of Mesquite and Huisache and Huisache trees in the San Angelo area alone and has already paid to have 493,000 acres cleared. Thus, the continuing need to clear land creates a supply of waste wood and provides confidence that an adequate supply of waste wood will be available.

Furthermore, the local USDA NRCS has provided EQIP program funding for removal of Mesquite and Huisache trees for the county and the Leon River Restoration Project. More grass means the land can support more beef, sheep, goats or deer, and therefore a higher income for the rancher. Many landowners also wish to restore the land to pre-settlement conditions in which the Mesquite and Huisache were less prevalent. The venture also provides an excellent opportunity for the community to learn more about biomass supply for future opportunities in lignocellulosic conversion of biomass to produce fuels.

The business of owning ranch land is capital intensive. The rewards from production agriculture are poor. The typical cost of treatment for tree removal ranges from \$75 to \$105/acre. The typical method, known as mechanical removal, is to contract a local company to work with bulldozers to push the trees into small piles. The bulldozers use their tracks and blades for leverage against the trees, considerably disrupting the ground cover (grasses), as well as deep knives which penetrate the ground to sever tree roots. Normal recovery time for the land is 2-3 years, and the benefits of the treatment last 10 years before a repeat treatment is required. The use of rubber tired loaders with forestry shears instead of bulldozers is increasing in popularity, as they are less destructive to the land surface and better at removing the total root system of the trees.

Mesquite and Huisache trees limit the amount of grass that can be grown. Huisache trees are widely believed to hold tremendous amounts of water within their root balls. In dense Huisache groves, virtually no grass can be found because of the acidic needles falling on the ground. The removal of the Huisache trees significantly increases flows of surface water, enhancing local water reservoirs, and diminishes the risks of erosion by increasing the percentage of ground covered by native grasses. Mechanical removal is supported by environmental organizations interested in improving endangered species habitats, but as a treatment solution it suffers from the fact that the wood wastes created must be burned in order to expose the ground otherwise covered by the woodpiles, and to improve forage production. Burning contributes heavily to carbon monoxide (CO)~ volatile organic compounds (VOCs), particulate matter (PM), and methane emissions, negatively impacting air quality.

As the USDA decreases the flow of funds for direct subsidy production agriculture through its FSA arm, it is expected to increase its funding for the environment through its NRCS arm. The continued improvement of rangeland grass production would be a direct subsidy to increasing surface water flows and environmental quality, as well as an indirect subsidy to the ranchland animal production of deer, cattle, goats and sheep.

Harvesting operations from woodpiles during the hunting season (November and December), rainy season (March and April) and hot summers (July and August) would be intermittent. These seasons of less harvest would require gathering and storing a larger quantity of wood chips from

ranches in the remaining months, while also utilizing a higher level of operating efficiency during the months.

The process of harvesting the wood chips from dormant clearing piles, begins with an excavator (ill 210CW) with a grapple claw, placing the sheared tree into the hopper of a mechanized grinder (on tracks). The grinder is remotely controlled by the operator of the excavator and shreds the tree into 2-3" pieces, which are then conveyed to one of two 1a-ton buggies cycling between the shredder and the transport trailers. The continuous cycling of the buggies to the trailers eliminates the need for truck drivers to enter fields and simplifies their role to "pick up and go".

Biomass arriving at the processing plant is sorted for oversized chips and magnetic debris. The oversized pieces are diverted to a separate grinder for pallets and other materials such as construction and demolition wastes, which produces acceptable chips. Acceptable chips are placed in a pile for further drying. On a daily basis, wood chips are removed from the piles, and be reduced to 1;2" size chips by a secondary grinder which can then be fed to a hammer mill for production of wood flour (1/8" size chips), depending on the technology chosen to match the clients needs. The wood flour (1/8") is conveyed to overhead dump bins for the delivery trucks to transport to the processing site.

Should the client's site be away from the processing center, an auger transfers the biomass from the truck dump into a bin with a capacity of 50 tons, which holds three transport loads. The biomass is continuously fed into a fuel metering bin and then blown to the burner apparatus. Maintenance and monitoring are performed by the delivery person during the deliveries.

Profitability

Recent Sunergie studies which focus on the thermal energy production sales and investment only, project that waste trees can be collected and processed into wood fuel for about \$3.50 per mmBtu (variable costs). The fixed costs for management and maintenance are \$1.40 per mmBtu. Depreciation and interest charges are projected to be \$2.10 per mmBtu, for a long term operating cost of \$7.00 /mmBtu before taxes. The short term break-even cost is expected to be \$4.90/mmBtu.

The annual average delivered natural gas price when incorporating a reasonable price hedging strategy will be approximately \$9.00 per mmBtu (\$9.00 plus \$1.00 transport tariff, blended futures forecasts minus a general basis of \$1.00) thus leaving approximately \$2.00 per mmBtu difference.

The project would seek baseload customers with thermal energy needs of 24 hours, 365 days/year. Baseload customers provide for the efficient use of capital and operating expenses. Typical customers are large institutional facilities such as the Department of Correctional prison facility housing 9,000 inmates, and the Military base located south of *. Electricity production would be combined with steam sales (i.e., waste from turbines) for potentially profitable opportunities as highlighted by (reference earlier study).

Natural Gas commodity markets such as NYMEX's Henry Hub are the key price makers for thermal energy, and thus for electricity as well. Clients normally pay a derivative of the "month

ahead firm delivery" market price, which includes a "basis difference" between the NYNEX price and their nearest market hub, plus a fixed transportation cost from that hub to their facility. The plan is to compete directly on the delivered price by offering a standing discount on the fixed transportation cost that a client pays for natural gas delivery. Furthermore, the project expects that it can attenuate significant volatility by providing a maximum pricing window that will likely help minimize the risks to a client's cash flow. The window will adjust to medium-term changes in the marketplace (i.e., 3 months of sustained higher or lower pricing). Finally, clients will be offered the opportunity to forward-contract their purchases up to a maximum of 6 months in advance, based on the NYMEX futures quotes.

The project can offer the following sales advantages:

- Pricing discounts from current natural gas and electricity options.
- Flexibility in pricing according to different Natural Gas pricing hubs (i.e. W AHA vs Henry Hub) providing clients with new savings opportunities.
- Diversifying the client's energy options.
- Capital costs of the equipment and installation are included in the discounted energy sales price, thereby eliminating discussions about payback period.
- The environmental attributes (i.e., renewable energy).
- Price according to the Btu's delivered to the client, thus eliminating the local manager's concern about BREP operating efficiency and fuel quality.

Sustainability

This project addresses sustainability in three ways:

Environmental Sustainability is achieved using a readily renewable resource, Mesquite and Huisache, for production. The process also adds additional nutrients to the soil, and diminishes the risks to erosion by not extracting the roots from the soil structure. Further, the use of rubber tires instead of steel tracks used in scraping, leaves a far higher percentage of grasses and forbs in place. The project target using approximately 1% of the county's sustainable landmass per year with the assumption of 20 years necessary for the re-growth of the Mesquite and Huisache trees.

Economic Sustainability is achieved by providing the no-cost removal (diminished costs and risks) of Mesquite and Huisache wood chips from ranches to the producer's company. The company will be able to attain generate significant margin when hedging the value added energy with NYMEX futures contracts.

Business Sustainability is achieved by building on the foundation that will be created with this new renewable energy technology. By introducing this new technology regionally and moving into new markets, the company is assured an accelerated, yet stable, road to a significant niche market presence in the region. .
likely improvement to the Local Economy.

The industry is important to the community because it will help the community to attract new jobs by providing a competitive advantage (lower cost energy and energy price stability) to industrial

users. The community is presently at a disadvantage because of the gas line capacity reaching the community. The project anticipates providing approximately 9 low-skill and 1 managerial job for the collection activities, and 4-5 high skill jobs (engineers on 24/7 activity levels) for the generation and energy conversion activities. Ancillary jobs include the transportation of biomass by transport trailers (6-8 jobs) to the processing center.

Further, the majority of residents in rural communities live on low to median income levels. As energy costs are the most rapidly increasing component of price inflation, their disposable income diminishes. These communities are at risk. This project would divert a minimum of \$4 million per year in energy expenditures out of the county, back into the local economy. This provides for a significant multiplier effect, reduces costs for ranchers, and can bring in new jobs.

Finally, a biomass plant may offer opportunities to divert local woody wastes to the plant, thereby diminishing the costs of landfill. City sewage sludge could be mixed with ash from the burners to create a new form of fertilizer; cardboard and paper wastes could be mixed with wood chips to create fuel; local construction wastes could be reduced to fuel. All of the above would save the community members producing those wastes, significant tipping fees, while reducing the quantity of landfills used each year.

Qualifications of those doing the work

RD Instruction 4284.913(a)(2) Qualifications of those doing work. Proposals will be reviewed for whether the personnel who are responsible for doing proposed tasks, including those hired to do studies, have the necessary qualifications. If a consultant or others are to be hired, more points may be awarded if the proposal includes evidence of their availability and commitment as well. *Most applicants will not specifically identify a company or individual who will actually conduct the planning activities. For those applicants that do, look to see if the credentials of those identified to do the studies are provided, including education and experience. For those applicants that do not identify a specific company or individual, see if they at least understood the need for an independent entity to conduct the planning activities. Also see if they identified the general type of entity needed to conduct the planning activities, such as a university. A specific company or an apparently qualified individual identified will score higher than a general entity identified which will score higher than the recognition that an independent entity is needed which will score higher than no discussion at all. Applicants should not receive credit for feasibility studies, marketing plans or business plans that will not be conducted or developed by independent third parties. For other tasks such as accounting work or clerical work, the applicant may provide those services and be considered qualified if such qualifications are demonstrated.*

Example #1

Consultant: Analytical Laboratories

Analytical Laboratories formed in 1975, in * California. * labs began as a soil laboratory and has developed into the only full service agricultural lab on the * currently tests soils, plant tissue, water, feeds, plant pathogens, composts and manure. The state of the art facility located in *, Ca.,

offers the latest test procedures and equipment including NIR, full Wet Chemistry, and In Vitro analysis. The staff offers expertise from dairy nutrition to graduate degrees in plant pathology.

Lab also offers in-house custom research. The company has conducted over 50 published and private research papers ranging from plant pathology to animal nutrition. The facility features a research greenhouse and our own herd of fistulated dairy cows (live dairy cows with direct access to the rumen). Lab is certified by North American

Proficiency

Testing Assoc., the National Forage testing Assoc., the American Phytopathological Society and Family Farm Alliance.

Example #2

Consultant-* of Consulting Group will be the lead consultant on this feasibility and business planning issue. His resume includes over 10 years of business and feasibility planning with various types of small agricultural and commercial businesses. He has significant exposure both educationally and professionally to production agriculture. He has a Bachelors of Science degree in agriculture from the University of * as well as a Masters of Business Administration from * college. He has significant experience in the financial aspects of production agricultural operations including dairy farms.

Specifically his experience involves counseling small firms regarding business planning issues including market research, financing, feasibility and operations.

Following is additional work experience information:

Business Consultant; (1995 to present) Consulting Group a sole practitioner practice. Practice developed following a relationship with the Business Development Centers at Tech and College working with their clients. Currently have a contract for feasibility and business planning for the Iowa Abilities Fund/Entrepreneurs with Disabilities and 1st Step Program as well as other private clients. Following are the main areas of practice:

Startup consulting: Work with potential business owners on an assessment of their skills followed by business concept development, market research, product development, and feasibility analysis.

Business valuation: Provided clients with detailed analysis of business value including establishing purpose of valuation, gathering of information, leading client through the entire process, industry research, financial analysis, and authoring detailed report for the client.

Feasibility and Business Planning: Develop detailed, business plans to serve as a road map to the future of both startup and existing small businesses. Includes meeting with client to understand and refine concept, provide guidance on planning process, market and operations research, develop consensus among stakeholders, financial projections, oversee and/or write and edit final draft of business plan.

Educational Background: MBA from College 1997. Bachelor of Science in Agribusiness from University of 1986.

Dairy Inc. President *- has a 25 year career in this family operation. When he took it over approximately 15 years ago it was a 150 cow dairy operation with one outside employee. Through a series of expansions it has grown to a 900 cow operation with 15 employees. In addition to building this enterprise he has served the dairy industry through his involvement on and regional and national boards and committees. This has allowed him to be connected to those individuals and organizations that are on the leading edge of the production dairy industry.

Example #3

Corn Cooperative

Corn Co-op has strong professional management personnel who will manage and actively participate in the tasks of this project. A number of employees may be enlisted to work on specific tasks, but the two key personnel will be *, General Manager, who will direct the project, and *, Plant Manager, who will manage the entire project and perform tasks as the "owner's engineer."

*, General Manager, Corn Cooperative

* has been the General Manager of Corn Co-op since 1995, and has led the development of innovations and process improvements that have made Corn Plus the most energy-efficient ethanol producer in the world. Keith has 24 years of experience in the ethanol industry. He has worked with multiple alcohol feedstocks, including cheese whey, candy waste and multiple starches. * has experience operating biomass boilers to generate steam, and he has developed, constructed and commissioned a continuous yeast propagation system. His previous experience also includes building an upgrading plant to convert spent wines into anhydrous ethanol. * served in the United States Army from 1970 to 1973 in a Combat Engineer Unit.

- holds a First Class Engineering License for Steam Generation. * education includes an Associate Technical Degree from Technical College in * and completion of course work at * Community College in *. He also completed a program in Fermentation and Distillation at the Altech Alcohol School in *

Cooperative Development Services

Cooperative Development Services (CDS) is a 20-year old non-profit organization created and governed by the cooperative community of the Upper Midwest. Headquartered in Madison WI, and with a program office in St. Paul MN, the organization specializes in providing business development and governance consultation to organizations that seek to leverage cooperation as a competitive advantage. Relying on a coordinated team of 30 staff and consultants, CDS specializes in four sectors:

- Value-added agriculture

- Renewable energy
- Community development
- Sustainable natural resource management

The primary consultant on this project will be *, an affiliated consultant of CDS. *, Executive Director of CDS, will also participate in the project.

*, Principal, *Consulting, LLC

* is a business development consultant affiliated with Cooperative Development Services. His areas of expertise include biomass energy, value-added agriculture, natural gas and electric energy supply, wind power, start-up business development, rural economic development, legislative and regulatory affairs, public and private financing, corporate due diligence, contract negotiation and administration, strategic planning and financial analysis.

* has been an independent consultant since 1995. Prior to 1995, he was president of a consulting company, a for-profit subsidiary of the 501(c)(3) Center for * and a financial analyst for the City of *. * obtained a bachelor's degree in Economics & Political Science from College and completed all course work for a Master's Degree in Public Administration at the University of *

Project leadership

RD Instruction 4294.913(a)(3) Project leadership. The leadership abilities of individuals who are proposing the venture will be evaluated as to whether they are sufficient to support a conclusion of likely project success. Credit may be given for leadership evidenced in community or volunteer efforts. *This is from the producer prospective. Look at the qualifications of the steering committee or the one individual leading the effort. See if they have experience in business or community involvement. Those committees or individuals that have a strong background in business, finance, and the venture's technology should score the higher points. Those with civic, community, nonprofit, charity, etc., leadership experience will score higher than those with no history of leadership responsibility.*

Example #1

The Cheese Company team assembled for this project draws upon wide technical and marketing expertise, and many decades of experience in the animal feed industry. Reference to their resumes shows proven leadership qualities in guiding companies to success and technical knowledge in marketing animal feeds.

Lab brings to the project enormous experience of international market knowledge, which will provide the backing data for this refining venture.

Resume of *

Experience:

1993 – Present Cheese Company, , California

Vice President Engineering and Business Development

- Design and implement capital projects for plant expansion, process improvement, and new products.
- Originate product ideas, research optimum production methods, perform cost benefit analysis, and oversee implementation.

Corporate Environmental Officer

- Responsible for air, water, storm water and waste water processing. Oversee E.P.A. chemical reporting.
- Member of corporate strategic planning team, whose focus is to determine long range business strategy.

1986 – 1992 Farms, Livingston, California

Senior Project Engineer

- Responsible for managing major capital projects
- Provide technical assistance for all poultry divisions of the company.

1981 – 1986 *, California

Vice President and Partner

- Responsible for design, purchasing and production of specialty orchard equipment.

Education: University of *

Bachelor of Science, Agricultural Engineering, 1977

Registration: California Professional Engineer

Agricultural Engineering Certificate No. #, 1982

Contractors State License Board License No. B

Example #2

*- for the past 10 years has been involved in shaping the future direction of dozens of small businesses. His consultations involve potential startups regarding feasibility, operational issues for existing businesses and succession issues for firms in transition. His specific value involves a strong network of contacts within dozens of industries and his ability to obtain reliable information from which to base decisions. He has a track record of putting together start ups and helping existing businesses in a consulting capacity. His skill is in keeping projects on task and that specific objectives are achieved in reasonable time frames. In addition his leadership capacities have been enhanced by serving on a local school board.

*- is the sole owner of a company that has exhibited significant growth in the past 15 years. He has shown success in making key decisions that affected the future of his company. His efforts to increase his operation fivefold and to hire or retain 15 employees have been successful. These key decisions were made approximately 10 to 15 years ago and the enterprise is performing as planned. He also has served on several regional and national dairy industry boards and is a current local school board member.

Example #3

Project Leadership

Many experienced leaders are working on this ethanol projects. Those with an asterisk* after their name are independent producers.

* President, CEO and Chairman, has been active in production agriculture and agri-business for over forty years in Counties, State. As general livestock and grain operators, he and his wife of thirty-five years work together with their married sons, * and *, and their daughter, *. Another daughter, *, attends Community College.

Ray graduated with honors from * University with a Bachelor of Science degree in Agriculture Education and a Master of Science degree in Agriculture Economics. He has taught Vocational Agriculture at *, as well as functioned as a volunteer for *, (*, Washington, DC). His employment has included * and * at the * of * where he served on it Board of Directors as well as its Secretary. He presently serves as President of * Coop, serves as President, CEO, and Chairman of * LLC, serves as Chairman of the Board of Directors of the Midwest Bank, serves on the Board of Directors of Farm Service Cooperative, and is a member of Lions Club and County Historical Society.

Ray is a member of both the American and * Societies of Farm Managers and Rural Appraisers. He is past chairman of the County Soil and Water Conservation District.

Commitments and support

RD Instruction 4284.913(a)(4) Commitments and support. Producer commitments will be evaluated on the basis of the number of Independent Producers currently involved as well as how many may potentially be involved, and the nature, level and quality of their contributions. End user commitments will be evaluated on the basis of potential markets and the potential amount of output to be purchased. Proposals will be reviewed for evidence that the project enjoys third party support and endorsement, with emphasis placed on financial and in kind support as well as technical assistance. *There are three types of commitment to be addressed by applicants. First is the level of commitment from the producers. Second is the level of commitment from end-users of the product being produced. Third is the level of commitment from local government officials, development groups, and institutions of higher education. For producer commitment, look at the number of producers currently involved, the potential number of producers that could and should become involved, level of potential agricultural production relative to the amount needed, and any cash contributions to help finance the planning needed. The number of producers should again be reasonable. Stating that all producers in the state will benefit is not very credible. For end-user commitment, look for any markets identified, potential buyers contacted, and potential commitment from end-users. Reasonableness in reaching end-user should be rated higher than optimistic projections. For local support, look for referenced letters of support from local and state government, other grants (non-Federal), and commitments to provide technical assistance or financial assistance from development groups. (Remember that the letters themselves should*

not be in the application, just the assurance they exist.) More points are to be given for those proposals that address the various aspects of commitment.

Example #1

Number of independent producers currently involved

All 20 producers-owners of Cheese Company, Inc. are currently involved in the project.

Number of potential producers may potentially be involved

In addition to the current owners of Cheese Company, there are additional family members entering into dairy production that are eligible for ownership.

Nature, level and quality of contributions

With the exception of this grant request, the producer-owners provide all funding.

Cash contributions and level of production from the producers

Producers-owners provided 100% of the capital in Cheese Company.

Potential commitment of end-users of the value-added product to be produced

Customers will receive a high quality, consistent modified whey carbohydrate animal feed with exceptional customer service encouraging commitment to the product.

Possible markets

The primary market is California and western states livestock and dairy producers.

Potential buyers contacted

This grant is to learn about potential customers.

Example #2

* Coop - A letter of support has been obtained in which Farmers Coop would tentatively purchase on a wholesale basis a high-quality composted product produced by Dairy Inc. and market it through their fertilizer division located seven outlets in three counties in northeast *. Financial support would be provided in that this firm would purchase the compost product from Dairy Inc.

Organic Nutrient Solutions - * President- A letter of support has been obtained in which Organic Nutrient Solutions would tentatively purchase on a wholesale basis a large volume of high-quality compost product produced by Dairy Inc.. Financial support would be provided in that this firm would purchase the compost product from Dairy Inc.

* Floral and Greenhouse-*-owner- This firm is a wholesale and retail greenhouse operation located in Northeast *. They have expressed interest in buying a significant volume of high -quality compost that is superior to a peat based product currently used.

Fan Separator -Germany- This company has pioneered a mechanical system that separates and processes solids and semi solids into various value-added components. This technology has been engineered for use within the dairy industry. They have been contacted to design and install the mechanical equipment required.

Example #3

The cooperative has assembled an impressive amount of community support in a very short period of time, as evidenced by the following, all of which is affirmed by letters of support and commitment (which are provided in the Appendix).

In a letter dated March 27, 2006, City Administrator * of * affirms that the City of * has offered to the Cooperative a 34-acre parcel, with all utilities and roads for the site of its ethanol plant. Further, the City has committed to creating a tax increment financing (TIF) district to provide infrastructure and incentives for the venture. The City estimates the value of this commitment at \$1 million.

In a letter dated March 28, 2006, *, Vice President of Operations Support for *, Inc., notes that the company is headquartered in nearby *, and owns and operates 325 stores in *, * and *, sells over 800 million gallons of gasoline annually, including 80 million gallons of ethanol. *'s need for ethanol is growing, and the company strongly support the development of the project as it would provide supply close company operations (thus reducing transportation costs), create jobs in the area, and boost farmer income.

*, President and CEO of * in a letter dated March 28, 2006, commits to extending a \$ operating line of credit for the venture to fund working capital to assist in business planning and development expenses for the cooperative. The line of credit is in effect from October 1, 2006 to September 30, 2007.

*, Regional Vice President of Farm Credit Services, expresses on behalf of Farm Credit Services strong support for development of *'s ethanol industry through direct financing to members for stock purchases and financing for plant construction.

*, Senior Vice President of Bank, in a letter dated March 28, 2006, expresses support for the cooperative and appreciation for the benefit that the local economy would realize from development of the proposed ethanol plant.

*, President of-the State Bank of *, similarly voices support for investigating the feasibility' of the proposed ethanol plant and notes the positive impact such a plant could have in shoring up and increasing farm income in the area.

*, General Manager of Country Co-op, in a letter on March 28, 2006 expresses his co-op's interest in using distillers grains from the plant in rations for local dairy producers.

Work plan/budget

RD Instruction 4284.913(a)(5) Work plan/Budget. The work plan will be reviewed to determine whether it provides specific and detailed planning task descriptions that will accomplish the project's goals. The budget will be reviewed for a detailed breakdown of estimated costs associated with the planning activities. The budget must present a detailed breakdown of all estimated costs associated with the planning activities and allocate these costs among the listed tasks. Points may not be awarded unless sufficient detail is provided to determine whether or not funds are being used for qualified purposes. Matching funds as well as grant funds must be accounted for in the budget to receive points. *Here the applicant must state what tasks are to be done, when it will be done, who will do it, how long it will take, and how much it will cost. The plan must be comprehensive but easy to understand. Reviewers must be able to understand what is being proposed and how the grant and matching funds will be spent. The budget must be a detailed breakdown of estimated costs. These costs should be allocated to each of the tasks to be undertaken. Matching funds must be identified and also allocated to the various tasks proposed. The work plan/budget should be logical, realistic, and economically efficient. The most points should go to those proposals that best address these issues, and to those that associate tasks with costs and specific timeframes.*

Example #1

MARKETING ANALYSIS

- Define the market with a focus on the West Coast
- Analyze market size and potential
- Evaluate key competitors and competing products
- Identify market requirements
- Locate distribution channels
- Develop a promotional strategy
- Propose potential strategies to pursue
- Analysis and write up
- USDA Results Report
- USDA Financial Status Report

BUSINESS PLAN

- Choose product mix
- Identify target species
- Design the process of manufacture
- Calculate the cost of production
- Acquire a capital commitment
- USDA Results Report
- USDA Final Project Performance Report

Example Budget Format #1

Task	Start	End	Budget			Total
	Date	Date	Federal	Cash	In-Kind	
Task 1 Market Analysis	October 1, 2008	Sept. 30, 2009				
Labor - Salaries			\$25,000	\$25,000		\$50,000
Labor - Fringe			\$8,750	\$8,750		\$17,500
Travel: Air/Bus/Taxi/Mileage			\$2,250	\$2,250		\$4,500
Travel: Lodging			\$1,000	\$1,000		\$2,000
Travel: Overnight Meals			\$375	\$375		\$750
Outside Services			\$18,000	\$18,000		\$36,000
Responsible Staff:						
Task 2 Business Plan	October 1, 2008	Sept. 30, 2009				
Labor - Salaries			\$27,500	\$27,500		\$55,000
Labor - Fringe			\$9,625	\$9,625		\$19,250
Travel: Air/Bus/Taxi/Mileage			\$1,750	\$1,750		\$3,500
Travel: Lodging			\$750	\$750		\$1,500
Travel: Overnight Meals			\$250	\$250		\$500
Outside Services			\$9,000	\$9,000		\$18,000
Responsible Staff:						
Total Cost of Project			\$104,250	\$104,250		\$208,500

Example #2

The two aspects of this plan include feasibility and business planning. Following is a discussion of the process for each:

Feasibility Study: the feasibility study would include but not be limited to:

1. Economic feasibility: Information related to the project site; availability of trained or trainable labor; utilities; rail; air and road service to the site; and the overall impact of the project.
2. Market feasibility: Information on the sales organization and management, nature and extent of market to market area, marketing plans for sale of projected output extent of competition and commitments from customers or brokers.
3. Technical Feasibility: this aspect shall identify and estimate project operating and ,development costs and specify the level of accuracy of these estimates in the assumptions on which these estimates have been based.

4. Financial feasibility: develop an opinion on the reliability of the financial projections and the ability of the business to achieve the projected income and cash flow. An assessment of the cost accounting system, availability of short-term credit for seasonal business, and adequacy of raw materials and supplies.

5. Management feasibility: Evidence that continuity and adequacy of management has been evaluated and documented as being satisfactory.

Business Plan: the business plan shall include the following: Executive Summary:

- i. Business Concept
- ii. Company
- iii. Market Potential
- iv. Management Team
- v. Distinct Competencies
- vi. Required Funding and its Use
- vii. Exit strategy

Company Description: includes mission statement, summary of activity to date, current stage of development, competencies, product or service, objectives, keys to success, location and facilities.

Industry Analysis: entry barriers, supply and distribution, technological factors, seasonality, economic influence, regulatory issues.

Market Analysis: definition of overall market, market size and growth, market trends, market segments, targeted segments, customer characteristics, customer needs, purchasing decision process, product positioning.

Competition: profiles of primary competitors, competitors products and services and market share, competitive evaluation of product, future competitors.

Marketing and Sales: products offered, pricing, distribution, promotion including advertising and publicity, trade shows, partnerships, discounts and incentives, Sales force and sales forecasts.

Operations: product development including development team, development costs, and development risks. Manufacturing including production processes, production to, quality assurance, administration, key suppliers, product/service delivery, customer service and support, human resource plan, facilities.

Management and organization: management team, Board of Directors, key personnel, organizational chart.

Capitalization and Structure: legal structure of company, present equity positions, deal structure, exit strategy.

Development and Milestones: time may be specified on a relative scale rather than specific calendar dates. Milestones may include some or all of the following: financing commitments, product development milestones, signing of significant contracts, achievement of break even performance, expansion, additional funding, any other significant milestones.

Risks and Contingencies: some common risks include: increased competition, loss of a key employee, supplier's failure to meet deadlines, regulatory changes, changing business conditions. Financial Projections: assumptions, financial statements including balance sheet income statement, cash flow, breakeven analysis, key ratio projections, financial resources, financial strategy.

Summary and Conclusions:

Task	Start	End	Budget			
	Date	Date	Federal	Cash	In-Kind	Total
Task 1 Economic & Market Feasibility	10-1-08	12-31-08	\$2,500	\$2,500		\$5,000
Responsible Staff:						
Task 2 Technical & Financial	10-1-08	12-31-08	\$2,500	\$2,500		\$5,000
Responsible Staff:						
Task 3 Management	1-1-09	3-31-09	\$2,500		\$2,500	\$5,000
Responsible Staff:						
Task 4 Develop Business Plan	1-1-09	3-31-09	\$2,500		\$2,500	\$5,000
Responsible Staff:						
Total Cost of Project			\$10,000	\$5,000	\$5,000	\$20,000

Example #3

Overall Project:

The feasibility analysis will be focused on determining the viability of a producer-owned wind energy development. Ranch has a known wind resource whose value needs to be effectively quantified to determine its economic value. The project will be heavily supported by the State Energy Office through their Anemometer Loan Program, the University Electric Motor Training and Testing Center, and by the Area New Development Organization, who has received Department of Energy funding to promote wind energy throughout *. The overall project is comprised of four principal steps listed in the table below.

Amount of Request

Example #1

Cheese Company is requesting \$104,250 and will match \$104,250.

Example #2

Amount requested \$10,000

Project cost per owner-producer

Example #1

The project cost per owner-producer is \$5,212.50.

Example #2

Project cost per owner-producer One owner - producer = \$10,000.

Example #3

* and * are producers and are the principal managers and owners of this value-added venture. The total project grant request is \$. Based on that, the average grant per producer in this project is \$. This amount is well below the \$75,000 limit required to receive full points for this section.

Business Management Capabilities

Applicants must discuss their financial management system, procurement procedures, personnel policies, property management system and travel procedures. Up to two points can be awarded for each component of this criterion, based on the appropriateness of the system, procedures or policies to the size and structure of the business applying. Larger, more complex businesses will be expected to have more complex systems, procedures, and policies than smaller, less complex businesses.

Financial Management System: This business, being a sole proprietorship, uses the services of a CPA to maintain and prepare our financial data for tax purposes. On a daily basis, we maintain our records using Quickbooks, Microsoft Excel, etc. Receipts of all expenditures are recorded in these spreadsheets. Bills are paid using a farm checking account.

Procurement Procedures: As the need arises, I will check with various retailers concerning parts, supplies, services or other items that are needed on the farm or in the processing of my commodities. While I do not believe that the cheapest price is always the best, I do recognize when I should accept an offer or check with other sources. Being a farmer for * years has allowed me to become very knowledgeable about the market for services and supplies and I feel that I am able to negotiate a fair price for the product I need.

Personnel Policies: As this is a small farm operation with limited need for outside employees, a

written set of personnel policies has not been established. At the present, only family members are employed. At such time as expansion occurs and the need for outside employees becomes evident, we will first look to those people in the area who are knowledgeable about our operation and have the ability to perform the work needed at that time. We will abide by all state and federal labor laws when employing these new workers.

Property Management System: We maintain our property and processing facility in accordance with all local, state and federal requirements. We are properly zoned according to the local ordinances to operate our facility at this site. We maintain the physical property to the best of our abilities in order to present a pleasing atmosphere for our customers. We have a management plan for our farm on record with the NRCS and FSA office. Real Estate taxes are paid annually. Insurance, both property and liability, is maintained on the farm, buildings and processing facility.

Travel Procedures: When travel is required, as it relates to the value-added operation, the uses of a local travel agent are used. This ensures that we will get the accommodations that we need in order to complete our business. Of course, the internet is also available for us to use for flights and hotels. The use of various travel web sites will also allow me to make travel arrangements, including flights and hotels, at the most reasonable cost to me.

Sustainability and Economic Impact

Projects will be evaluated based on the expected sustainability of the Venture and the expected economic impact on the local economy. Points will be awarded as follows:

0-4 points will be awarded if the applicant does not substantively address the criterion.

5-9 points will be awarded if the applicant demonstrates that the Project has a reasonable chance of success OR will have a small impact on the local economy.

10-14 points will be awarded if the applicant demonstrates that the Project has a reasonable chance of success and will have a small impact on the local economy.

15 points will be awarded if the applicant demonstrates that the Project has a reasonable chance of success and will have a significant impact on the local economy.

If the feasibility/business analysis shows that a reasonable rate of return can be made on investments, the farmer/members will begin planting * in the field on more than an experimental basis. Because * can be grown on our soils that have been in row crop production, * feels that this alternative crop will give South Georgia producers that are willing to join in the opportunity to make a more substantial return from their land. With the growth of the * market due to health related benefits, * feels that this crop will eventually have the same potential. * have surpassed peaches as the number one fruit grown in Georgia measured by farm gate sales with * County's estimated farm gate value at around \$ million. Since * do best on newly cleared timber land (site preparation is very expensive) and * can be grown in existing fields, the initial investment of planting will be far less than * allowing more producers to be able to capitalize on their potential.

Also farmers are continuously looking for any crop that has more profit potential than our traditional crops; we feel * can fit this need due to health conscious consumers striving to obtain more nutritious foods with higher anti-oxidant levels.

Innovation

Describe the innovation that supports the Value-Added product.

Demonstrate how the project will accelerate adoption of innovation and commercialization.

Document how the innovation will enhance the income and opportunity for farming operations.

Discuss how the process by which the product is made is forward-thinking, incorporates advanced ideas or improves efficiency, effectiveness, or competitive advantage.

Type of Business

If the applicant is a:

- Beginning Farmer
- Socially Disadvantaged Farmer
- Small or Medium Sized Farmer that is structured as a family farm.

Applicant must provide documentation that they meet one of these definitions to receive these points.

Administrator points

Innovative technologies- The fan separator system is an emerging technology that mechanically separates and processes solids and semi solid materials. This design is currently being adapted for dairy operations in the Midwest. Currently there are no similar systems known within a 500 mile radius. The system is unique in that it greatly reduces the time necessary to transform raw animal waste into a high-quality value-added product.

Under-served Area – This area of the state is suffering based upon the significant loss of manufacturing jobs over the past few years and our agricultural based economy. Our success in obtaining financial assistance in terms of loans and grants from USDA has been limited.

CERTIFICATION OF MATCHING FUNDS

Applicants must provide a budget to support the work plan showing all sources and uses of funds during the project period. Applicants will be required to verify matching funds, both cash and in-kind. Sufficient information should be included such that USDA can verify all representations. *If matching funds are in cash, applicants must provide a copy of a bank statement showing a funds level adequate to cover the stated cash match. If a third party is providing cash for the match, the applicant must submit a letter from that party certifying that the party has the cash and will provide that cash to the applicant. If goods and/or services are donated, the application must include a signed letter from the party donating the services indicating a description of the goods/services, the value of the goods/services, and when the goods/services will be provided. Matching funds may not be spent or donated prior to the start of the grant period. Applications submitted without sufficient verification of all matching funds will be considered incomplete.*

"[CLICK AND INSERT NAME OF APPLICANT]" certifies that matching funds will be available at the same time grant funds are anticipated to be spent and that matching funds will be spent in advance of grant funding, such that for every dollar of grant funds advanced, not less than an equal amount of matching funds will have been expended prior to submitting the request for reimbursement.

APPENDIX A: VERIFICATION OF MATCHING FUNDS

Insert all documents verifying matching funds after this page. Documents include, but are not limited to, signed letters from third parties and bank statements. For a complete discussion of the requirements for this section, please see the NOSA.

APPENDIX B: LETTERS OF SUPPORT

Letters of support can be furnished in this section but they do count against your 35 page limit.