

**PROJECT TITLE**

A 2009 Value-Added Producer Grant Working Capital Application

Submitted by:

NAME

"[CLICK AND INSERT APPLICANT STREET ADDRESS]"

, **GA**

, **2009**

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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 MILK AND CHEESE PROCESSING

by

Dairy has been in the dairy business for the past twenty (20) years, continually growing our pure bred Jersey herd to its current level of 150 cows. This request for a Working Capital grant under the Value Added Producer Grant program will allow us to process our high-fat milk into higher quality and better tasting milk and cheese products for the local consumers. Dairy is owned and controlled by three family members, , and . In addition, sons, \* and \*, are integral parts of the operation by running the dairy and processing facility.

In 2006, we began bottling our milk into ½ gallon bottles for sale on our farm. We currently offer whole, 2%, skim and chocolate milk for a growing consumer base. Due to low milk prices and high operating costs, we knew we had to try a new approach or we would not be able to maintain our farming operation. After years of consideration, a feasibility study was commissioned in 2005 and it showed that we could succeed in the local market by offering a high quality milk and cheese product. After only four (4) months of operations, we know that we will be successful and that our customers will choose our products over those in the market now.

The overall goal of our project is to increase our farm income and to offer a better product to our local community. This working capital project will do that by allowing us to increase our exposure through additional marketing efforts and by reducing out of pocket costs for operating expenses.

Our milk processing facility meets all state and federal requirements for this type and size of operation. We are committed to producing the highest quality milk products from our certified herd. Recent grading reports show that our milk has a higher fat content than any other dairy in the state. This high fat content gives our milk a better quality taste that is being requested more and more by our growing base of consumers. We anticipate that our cheese will also be in high demand due to the better quality milk that it will be produced from.

This Value Added Producer grant will support this project for one year. \$ will be in charge of overseeing the grant. His sons, and will manage the processing facility and handle the marketing efforts. Mr. Cheesemaker has been hired to begin the cheesemaking process. He is nationally recognized and has extensive experience in producing award winning cheeses. Each member of this team is experienced and capable of carrying out their duties as it relates to this project.

Although this project has been in operation for less than a year, we are confident that, with the assistance of this grant, the processing facility will become successful and provide more income to the producer/owners of the farm.

## EXAMPLE #2

### **EXECUTIVE SUMMARY BEEF PROCESSING**

The project for which this proposal is being submitted is Beef processor - producer, harvester, and marketer of beef. \* is an independent agricultural producer of grass-fed cattle as a raw commodity. His value-added project is changing the physical state of the raw commodity to a new product - the value-added product, which he is marketing. The value-added product is a one pound, vacuum-sealed package of lean ground beef, labeled with \*' USDA-approved Beef processor Natural Ground Beef label. This application is to request a Working Capital Grant in the amount of \$ for the purpose of supporting the continued development and implementation of \*' business plan and marketing strategy for his value-added product.

\* is the owner of a # acre farm in county, state, a small, rural community in Southwest state. His family has raised cattle on their farm for five generations. His cattle are allowed to \*\*\* For several years \*, along with his family, has been shaping a vision of marketing their beef, which has fed their family for 140 years, to the public consumer. He realized his product would be a niche market but that in order to be successful, its timing had to coincide with the emerging of a health conscious and knowledgeable consumer. Today there is a pressing need for producers to meet the constantly growing demand for products that help health-conscious Americans live well. Consequently, \* began his Beef processor value-added venture in to address this need.

\*'s farm has operated under the name \* Farms for many years.. \* created Beef processor and labels his product with an approved USDA label in that name. He is 100% owner of \* Farms and 100% owner of Beef processor.

The ultimate goal of \*' project is to develop a business that produces and markets a value-added agricultural product, to expand the market for that product, and thereby to accrue a greater portion of the revenue from the value-added product to the producer/producers of the raw commodity. Bringing in other regional producers of is part of \*' goal. By selling their cattle to \*, producers receive a premium over stockyard prices.

Although \* produces his own cattle, which accounts for over 50% of the raw commodity that will be used for the value-added product, the feasibility study has shown a need to incorporate the sustainability strategy of purchasing additional cattle from other cattle growers.

The tasks to be completed for this project include: procuring additional cattle, transporting cattle, processing cattle, shipping ground beef, maintaining an office, and the major task of marketing.

### EXAMPLE #3

## EXECUTIVE SUMMARY Value Added Peanut Processing

Sweeping and historic changes in the federal peanut subsidy program enacted in the 2002 Farm Bill provide significant financial incentives for peanut growers to collectively process and market their own crops. A group of # farmers in State have elected to pool their respective financial resources and develop a state of the art peanut shelling facility to process the approximately # tons of annual peanut production by these farmers. This facility and related storage will enable this farmer owner company to take advantage of two primary financial incentives in the 2002 Farm Bill related to the USDA marketing loan program and storage fee payments. Essentially, the Farm Bill financial incentives greatly reduce the capital requirements that have formerly served as a barrier of entry into the shelling industry by independent groups of peanut growers.

The projected cost of the shelling facility is \$. Including several operating lines of credit, the total non-construction related requirements for this project are \$. A number of financing sources have been identified and committed to the project (see attached letters of support). The # farmer members of the company have committed over \$ million in owner equity for the project. Ownership in the entity is pro-rated, based on the tonnage of peanuts produced.

There are two specific goals or objectives associated with the \* facility:

- Provide a mechanism whereby the profits associated with the shelling, grading and resale of peanuts accrue to the local growers of the commodity.
- Provide an economic stimulus to the region. Peanut growers in # counties are participants in the project. The shelling plant will create # new, full-time jobs in an economically depressed region of the state and will have an estimated payroll of \$. An economic impact analysis of the project prepared by \* identified over # spin-off jobs related to the project and an impact of over \$ each year on the state economy.

Operating capital requirements for a project of this magnitude are very significant. A \$ line of credit, along with \$ in owner equity, is required related solely to the acquisition and sale of peanuts. As the project gets underway, construction begins, and employees are hired, a number of start-up operating costs is anticipated. In the initial months, these startup costs will greatly exceed project revenues. USDA-VAPG funds in the amount of \$ are requested for a portion of the operating capital needs related to the start-up of shelling operations and bringing the plant into full production.

#### Example #4

### Executive Summary A Working Capital Grant Request for Value-Added Onions

Project Description: Company is an onion processing company located in State, owned wholly by the leading partners in a family farming operation. The family farm provides its entire onion production to the processing company and the Company returns its profits to the family farm. They also have a contract with another local farmer, a former partner, to furnish onions as needed.

In year, farmer, the lead partner, was producing onions and other crops on a combined 10,000 acres in the lower part of the state. The Company was established in year and two state of the art storage, processing and packing facilities were then developed. \* pounds of onions are stored in a year-round controlled environment. Company peels and packs onions for shipment or site, reducing transportation costs, improving quality, decreasing waste and increasing profits. Prior to the establishment of Company, the farm was earning \$ per hundred weight on raw onions, after storage and packing costs. With the addition of the whole peel onion processing line, earnings on the whole peel onion products increased to \$ cwt.

The partners in Company discovered several entirely untapped markets for value added on ions. By packaging their high quality peeled onions in #, #, and # lb bags as well as the industry standard 1,500 lb. crates, they would gain wide acceptance in commercial food service operations. In addition, the demand for convenience in the consumer market opened the door for diced and sliced frozen or fresh packed onions. Company continues to enter new markets and is currently looking to produce onion rings.

Company wants to return more dollars to the producer owners for the onions they grow, by adding value through innovative farming, storage, processing and packaging practices, thus allowing them to capture emerging food service and consumer markets in the US. In order to achieve these goals, Company is seeking an independent producer working capital grant of \$ to expand operations, purchase additional inventory, hire and train additional employees and market the value added onions.

The president and vice-president of Company will oversee the professional services and increase in inventory. Expanding operations and entering new markets will be conducted by the vice-president of sales and marketing and the vice-president of operations will hire and train the additional employees needed. All of these major goals have a timeline of six months.

## 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 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

Dairy is a wholly owned family farming operation. \*, his brother \* and his brother-in-law are co-owners of the farm. \* owns \*%, \* owns \*% and \* owns \*%. We meet the definition of an Eligible Applicant by being an independent producer as we own and control the product to which value (milk) is being added. We produce 100% of the milk that will be processed in our facility.

#### Example #2

Company is an Independent Producer as defined in the USDA Notice of Funds Availability. Company is an LLC and is owned exclusively by # farmers located in a # county region in south State. Collectively, growers have approximately # acres in peanut product and annually harvest and market approximately # tons of high quality peanuts.

Each member of the company is actively engaged in the growing of peanuts as an independent producer. Therefore, this entity is entirely owned and controlled by grower-operators. Company is a legally organized entity. Grower-owners have executed participation agreements providing for grower equity contributions and pledging peanut poundage produced.

The majority of producers can be classified as small producers. 75% of the growers produce less than 500 tons of peanuts each year.

#### Example #3

LLC (the Company) is a collaboration of independent producers and the applicant for this grant. The founding members are: \*,\*,\*,\*,\*. As a Limited Liability Company, the governing documents

require the Company to be 100% owned and operated by members who are engaged in agriculture and are in the business of # farming. Each member qualifies under the terms of the grant as an independent producer in that the member owns their own breeding stock, thus producing the raw product and is currently and has been pursuing a variety of production and marketing strategies designed to add value to their product. Although the Company may use raw product from other farms in connection with producing end products to achieve certain economies of scale in the production process, the added product purchased from other small farms represents substantially less than 50% of the total product processed. All product remains in the ownership of the producer until such time as the end products are sold. As part of this collaboration and in establishing its business strategy, the # farms made a determination that it is of primary importance to market under a joint branding strategy. All raw goods of the 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 us. It is the intent of this entity, however, that if successful, this model will be expanded to other eligible producers. Similarly, discussions with existing U.S. resources working on a cooperative basis in the industry are being pursued.

#### Example #4

There are a total of four independent producers (families) involved in raising the product that are processed and marketed by the Company. Each of these four producers serves on a steering committee of the value-added venture of the Company.

The Company is organized under State law, wholly owned as follows:

Name, %, Name %, Name %, Name %

These individuals are part of the independent producers of agricultural products, and own 100% of the company, and thereby, 100% of the venture described in this application.

The producer/owners have committed their entire crop production to the Company. No other organizations are involved in the ownership or management of the Company. It is important to note that the profits from the Company are returned to the family farm by legal agreement (based on volume of business).

Of the # pounds of product processed each year by the Company, over 80% are grown on the family farm and transported directly from the fields to the storage facility. The owners have committed their entire production to the Company and have agreed to increase their acreage, so that in subsequent years over # pounds will be produced.

#### Example #5

Company is a sole proprietorship. We currently have a cow/calf operation and operate a small farm vacation business.

## Product Eligibility

### Example #1

Dairy is a family owned and operated dairy producing milk from a certified Jersey herd of # cows. The milk processed has a higher fat content than milk produced from a typical Holstein herd. Our milk is pasteurized and bottled into ½ gallon containers and marketed under the \* name. We will also be marketing our new cheeses under this brand. Because our milk is being processed and marketed in a way that enhances its value, our product meets the definition of a Value Added product.

### Example #2

This product will be manufactured from the company's commodity inventory which is grown in the SE region of the State. The following brand names are considered: \* or \*, denoting the origins of the product grown with cotton grown within the region.

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 purpose of this project, using natural 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 the physical state of the product

Bath towels will be made from the company's certified cotton inventory. The manufacturer specifics which type of cotton must be used and that cotton is shipped from our warehouses. Certain cotton has specific characteristics, such as fiber length and strength, that make it more absorbent or more plush feeling. We are qualified to create these products as we have been in the processing industry for # years and have credible working relationships with overseas mills. These partners do the actual spinning of the yarn and manufacturing of the towels.

### Example #3

The USDA Notice of Funds Availability inviting applications for the Value-Added program provides two definitions that are applicable to this project:

- Any agricultural commodity or product that has undergone a change in the physical state of form of the product.
- The physical segregation of an agricultural commodity or product in a manner that results in the enhancement of the value of that commodity or product. As a result of the change in physical state or the manner in which the agricultural commodity or product is produced or segregated, the customer base for the commodity or product is expanded and a greater portion of revenue derived from the marketing, processing, or physical segregation is made available to the producer of the commodity or product.

Clearly the Company meets both of these definitions. Peanuts are removed from the shells, thus changing the physical form of the product. The plant grades shelled peanuts according to size and quality. This grading is a further pre-requisite for marketing of peanuts to further-processors. Price for peanuts is largely dependent upon size, quality and intended use. The grading system that is an essential feature of the shelling plant will enable the Company to maximize returns from the sale of shelled product. A unique feature of this project is the transformation of a former waste product (peanut hulls) into a marketable commodity for use in the pesticide industry. A former waste product thus becomes a value-added marketable commodity in and of itself.

#### Example #4

The various types of products processed by the Company are best defined by value-added category #1. The products are an agricultural commodity that undergoes a change in their physical state and form before being sold to the consumer.

As commodities, the products are generally sold and shipped “raw”, in their original state and unprocessed, shortly after harvest, in bags for the most part or whole peeled on pallets in large cardboard containers to the public.

Company begins to add value by growing the product in fields with drip irrigation, as opposed to the industry standard of flood irrigation. The controlled moisture environment produces a larger, firmer product with fewer culls and a higher percentage of quality fruit. The Company then stores the product in a controlled temperature environment. This process keeps the product fresher and allows the company to sell into the off-season markets, when prices are highest.

Company continues to add value by implementing a whole-peel process in which the outer layers of skin are removed and the ends cut off, thus changing the original state of the product. These products are then bagged into 1,500 lb totes, #, # and # lb bags. The # bags are vacuum sealed. Other changes include slicing the onions for such uses as with hamburgers or dicing for use in stir fry. These products are then sold IQF in 1,500 lb totes and # bags.

The additional value of the product from the processing provides an increase of approximately % over the base “raw” product price.

A business plan has been created specifically for the next three years that demonstrates the ability of the Company to enter new markets and realize the increase in return of profits to the producers. As the demand for the new product increases, the return to the producers will also increase.

#### Purpose Eligibility

#### Example #1

Grant funds will be used to pay operating expenses for the processing and marketing of our farm produced milk. Specific activities include paying for labor, supplies and utilities for the processing facility, purchasing our milk from our present marketing firm (DFA), and for marketing expenses

for both our milk and cheese products. These expenses meet the requirements for working capital costs.

Use of the funds would begin on October 1, 2007, and conclude by September 30, 2008. Use of these funds will be for eligible activities and will be managed by \* .

Dairy has not received any previous funding under the Value Added Producer Grant program.

#### Example #2

This project meets both components of project purpose, completing its eligibility for funding. First, project activities meet the definition for working capital. The Applicant has specified that he is applying for Working Capital grant funds and none of the funding activities fall under the Planning Grant definition.

Second, all activities listed are directly related to the processing and marketing of the Company's value-added product. There are no agricultural production activities included in the request.

The activities listed for which funding is being requested are all tasks associated with the processing and marketing of the value-added product. Those tasks are:

1. The purchase of inventory. Farmers certifies that he produces more than 50% of the raw commodity to be used in the business, however, he will purchase additional raw product from other regional producers.
2. The transportation of the product. The raw product is transported from the farm to the processing facility. Farmer pays an employee to carry out this activity.
3. Processing of the product. Farmer utilizes a local company to process his product under a toll processing agreement.
4. Shipping. The cost of shipping his product, freight to the transporter and freight and storage from the transporter to the distributor.
5. Office expenses. Farmer maintains an office for this business venture. Office costs include supplies and utilities.

Marketing efforts. Farmer has undertaken an extensive marketing campaign in an effort to expand the market for his product. Realizing that his product has special qualities, he is constantly seeking new markets for the product. Marketing costs include: travel expenses, cost of conferences and trade shows, advertising, printed marketing materials, maintaining a website and product donations.

### Example #3

The working capital requested in this grant application will be used to expand operations, increase the workforce, increase inventory, provide professional services and to allow us to enter into new markets. By expanding operations, Company will be able to meet the greater demand for the processed product by both commercial food service operations as well as in the consumer market.

An independent feasibility study has been complete by Consultant. This study supports the above returns to the farms and the goals outlined below.

## 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

The overall goal of this project is to increase the income being returned to the owner/producer of the milk via the production of high quality milk and cheese products. This Value Added project is designed to allow us to continue to be viable producers for many years to come and to control our product from the farm all the way to the consumer.

Our specific goals are:

- 1) Increase farm income through the processing of our milk into high quality milk and cheeses.
- 2) Provide a viable farming operation to succeeding generations of the family.
- 3) Increase our market penetration in the local area by additional marketing efforts through local and regional advertising vehicles.

The current marketing of our milk is done by Dairy Farmers of America. Milk produced from our certified herd of cows is higher in fat content than that produced from the typical herd of cows. Even though our milk is higher in quality, it is dumped into the same tankers as lower quality milk and no price difference is noticed. Our DFA reports on milk quality show us to have the highest fat content of any producer in the area. Higher fat content makes for a better tasting milk via \*\*\*\*\*. Taste tests of our milk shows that consumers think they are tasting whole milk when, in fact, they are tasting 2%. They also believe that our skim milk is 2% rather than being our skim product.

The marketing of our milk had consisted largely of word-of-mouth and some local advertising. As we are a new operation and funding has been limited, we have been unable to make a large marketing splash. In addition, we will not have our entire line of products available until we get our cheeses made. We anticipate that our cheesemaker, Mr.\*, will be on site by January. It will take approximately \* weeks for a complete line of # products to be available. We will produce the following types of cheeses: \*,\*,\*,\*.

We will continue to seek markets outside of our farm for our products. We have contacted the local grocers , \*\*\*, and they have agreed to provide us shelf space in their stores for our products. A letter of support and interest has been provided to show their willingness to market our product. We will continue to offer our products at our on-farm store, which is open on a daily basis. We do not anticipate, nor are we capable of, competing against the large milk companies. We will market our product as higher quality and hormone free. At this time, we offer our ½ gallon milk products for \$ as compared to the typical ½ gallon at \$. Based on the total amount of milk produced on our

farm, we will be capable of producing and selling # gallons of milk and # pounds of cheese. While this amount seems small, the efforts to process and market our own milk under our own brand will add approximately \$ yearly to our net farm income. That additional income will allow us to maintain our farming operation and provide a decent living to our owners and family members.

#### Example #2

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

1. Packaging peaches in heat-formed 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.
3. Marketing our “tastier Peaches” in a campaign targeting merchandisers, retailers and consumers.

This grant will provide the \* Peach Packers with the needed funds to serve as a springboard for achieving our ultimate goal.

The venture is ideally suited to initiate an extremely rapid expansion into a new market. No similar peach product has ever been available along the \* 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 or retailers, but more importantly, for us.

#### Example #3

Two goals of this project are to: 1) provide an opportunity for family farmers to produce \* that is safer and healthier, in a manner that is economically and environmentally sustainable, while providing for the humane treatment of the cattle, and 2) to develop a company that will raise its own cattle and have the harvested and profitably marketed to consumers who are supportive of sustainable food systems.

Those goals will lead to the ultimate goal of the project, which is to develop a business that produces and markets a value-added product, to expand the market for that product and, thereby, accrue a larger portion of revenue from the value-added product than the traditional producer has received. Bringing in other regional producers is a future goal of this project.

In seeking the proper avenue to expand the market for his product, his research has led him to the conclusion that marketing his product using established food distributors has the most potential for success. The feasibility study prepared by the University of \*, assisted in determining what type of

distributors would be more likely to promote his product. This led \* to initially contact three different distributors and two have agreed to allow him to place his product on their shelves while the other has agreed to list him as a supplier.

The degree to which incremental revenue will accrue to the benefit of the producer is evidenced by the selling price of the raw commodity versus the selling price of the value-added product. \* and other producers of beef would traditionally sell a 1,000 pound cow for approximately \$500. The 1,000 pound cow will yield approximately 370 pounds of meat. The value-added product \* is producing is % lean with a wholesale value of approximately \$ per pound. Thus, the increased revenue from this product will be % over the traditional price for the beef. Even with processing costs and retail and wholesale margins, the benefit that will accrue to the producer is substantial.

## 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

The project has two major performance evaluation criteria: 1) increase revenue for the owners and 2) provide a quality product to an ever increasing consumer base.

The increase in revenue to the owners will happen when the project has established a market for our high quality product and is able to see higher profits than we would have seen by simply selling our milk through our normal channels.

The current customer base of the venture is:

At the present, our customer base consists of those consumers who have chosen to purchase our products from our on-farm store. This store has only been opened since September and we have had over # different purchasers of our milk. Even though production has been limited, we still feel like the demand has exceeded our expectations. With the addition of our cheese products and the inclusion of our products into local grocery stores, we feel confident that the demand will be there for all of our milk produced on our farm.

The current revenue accruing to the producers of the venture is:

We have sold # ½ gallon containers of our milk during the past four (4) months. At \$ per ½ gallon, we have had revenues amounting to \$.

The current number of jobs of the venture is:

We currently employ # on our farm and # in our processing facility and on-farm store. We anticipate that once production is at 100%, an additional # persons will be needed. The positions will be in the processing facility, packaging area and delivery. We anticipate that these employees will be paid a minimum of \$ per hour. We have also hired Mr. \* as our cheesemaker. He will start work in January.

### Example #2

In the event USDA awards funding to us for this project, we should be evaluated based on the success in marketing our specialty beef products. The production, processing and other logistics of the project have been worked through and are basically functioning as planned. The fact that the value-added product carries a higher cost to consumers and consequently must be marketed to the proper segment of consumers is the project challenge. \* already achieved a measure of success in that he has secured a contract with a distributor who sells to the target market. Continued

extensive research and aggressive methods of marketing are an integral part of the marketing strategy and the success of the project.

Another performance criterion would be simply staying on task with the goals of the business plan.

#### Example #3

The primary evaluation criteria that should be used to gauge the success of this grant is the projects expected and actual return on investment.

Our primary strategy is to procure low-cost feedstock, convert it into a higher value bio-diesel, 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 sourcing inputs from nearby producers, use of technologies, sharing of resources with similar facilities, use of quality programs, etc. Regardless of the activities that are pursued or the extent to which they are 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 bio-diesel plant's overall financial return.

#### Example #4

This value-added venture will allow Company to move into new markets, specifically commercial operations. The project can easily be evaluated through the completion of each of its project goals. Meeting the increased sales goals for the new product and having % of sales under contract for the value-added product are two ways the project's success rate may be monitored.

Other criteria that may be used are the percentage of value-added products entering the market from Company and the return of profit to the owners.

## PROPOSAL EVALUATION CRITERIA

### Business viability

RD Instruction 4284.913(b)(1) Business viability. Proposals will be evaluated on the basis of the technical and economic feasibility and sustainability of the venture and the efficiency of operations. *Applicants are to describe the technical and economic feasibility of their proposed ventures. They should reference the feasibility study and business plan they should have prepared before applying for a working capital grant. They need to discuss the structural and operational aspects of the venture and how the venture will be viable and sustainable. The amount requested should be supported by references from the feasibility study and business plan. 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. More points should be awarded to those applications that make a strong case for viability and sustainability based on the feasibility and operational efficiency of the venture. Fewer points awarded to those relying on grants to make the venture sustainable. The grants are to be made for startup costs, not for on-going expenses.*

#### Example #1

This project is both technically and economically feasible and sustainable.

#### Technical Feasibility

Discuss the processing facility and how it operates. Also discuss how the value-added will be made. Include information on the equipment, employee requirements, time it takes to make a batch, quality controls, etc.

#### Economically Feasibility

Discuss information from the feasibility study and pro-forma financial statements. Discuss profitability, increased market impact, improvement to the local community, similar projects in the area, processing costs, added value to the product and how profits will be distributed.

#### Sustainability

Discuss how the process will be sustainable. This could include the additional marketing efforts through grocery stores and the expected income increases. Also, discuss how new products will be profitable. You may want to discuss your farm commodity, acres, processing, product demand, customer base percentage of product provided by applicant, how you maintain your numbers and quality, etc.

#### Example #2

The # grower/owners of the company exercised appropriate due diligence in investigating the technical and economic viability of this project. The group engaged a reputable and well known accounting firm, who specialized in agricultural finance, to prepare a detailed feasibility study and pro-forma calculations relative to the plant. As outlined previously, this well researched, extremely detailed and comprehensive document provided the financial, legal and operational framework for further project development.

The financial projections for the project were purposely based upon very conservative assumptions. Various assumptions regarding sales price and cost of goods sold, reflective of the volatility of the industry, were utilized in developing financial forecasts.

The financial planning for the facility has been reviewed by no less than 6 lenders at the present time, including the local Development Authority and the consortium of five local banks who provided the primary funding. This level of review and subsequent loan approvals is indicative of a high level of investor confidence in the success of the project.

### Example #3

A feasibility study prepared in 2008 by the Center for Agribusiness and Economic Development, a unit of the University of Georgia's College of Agriculture and Environmental Sciences, confirmed the owner/producers' expectations of accruing a higher profit margin by supplying a certified, natural product to a niche market. Excerpts from the report are shown below:

#### Economic Feasibility

#### Revenue Changes

“The \*’s are adding value to a \* product through \*, individual quick freezing and branding their \*. As a result, the \*’s will capture a large share of the food marketing dollar in the \* market. If the \*’s produce \* pounds (%) of \* and purchase another 113,000 pounds (22%) of \*, individual quick freeze and market these \* directly to grocery stores, brokers and area restaurants, they could generate approximately \$\* million dollars in revenue. After taking into account total costs, the \*’s will earn a profit of \$97,000 annually. The additional revenue from processing and adding value to the \* will enable to \*’s to remain in the \* business and provide employment opportunities for family members that would otherwise have to seek outside employment.

“The feasibility is based on selling \* to three market venues: grocery, brokers and restaurants. The \* will be sold to processors on a \* basis. The prices and quantities were estimated from three year averages. Prices sold were based on a phone survey of brokers, grocery and restaurants. The estimates are based on conservative assumptions that include operating at only 52% capacity. All capital costs and some of the additional labor costs are fixed costs and would service the unused capacity. Capital assets totaling \$\* are owned with only a \$\* loan balance including the recent purchase of a used grader costing \$\*.

“The income statement has revenues of \$\* and expenses of \$\* resulting in a profit of \$\* or \$\* a pound. Operating and fixed costs were estimated from numbers provided by

\*. Capital cost were estimated based on purchasing used equipment instead of new equipment prices. The feasibility of this proposal is largely dependent on the price \*'s can purchase the \* to be processed and the price for which the value added \* can be sold.”

Additionally, because the price of fuel factors into the price paid for \*, a sensitivity analysis was prepared assuming that fuel costs for 2008 would be \$4.00 per gallon versus the current price of \$3.50. This sensitivity analysis shows that in order to remain profitable, a portion of the higher fuel costs must be added to the price of the product. Based on market research and conversations with potential buyers, this is possible. Many agricultural products (milk, eggs, etc) as well as other goods are successfully adjusting their prices to cover the additional energy costs associated with producing their products.

### Sustainability

The venture is sustainable based on the growth in the niche market to which the product will be sold, the unique characteristics of the product and the producer/owners knowledge and proven track record in the industry .

### Consumers

“The trend for locally produced foods has been growing at a significant rate over the past number of years. As consumers are becoming more aware of the food supply, the treatment of livestock, they have increasingly looked to local producers for food products. Consumers believe that by purchasing their food from local farmers they are helping to support local agriculture, supporting green spaces, as well as having access to fresher, higher quality food products. For example, they believe that their food is not picked prior to peak ripeness and transported thousands of miles to the local farmers market, roadside stand or grocery store. In addition, there is a perception that local producers are more likely to care about the quality and safety of their produce since it will be consumed in the local area where friends and family reside.

Consumers are becoming increasingly aware of their food and are interested in where it was grown, what was used to produce it, its ingredients, handling, packaging and the carbon footprint it leaves on the planet. "New trends, including 'food miles', 'the Slow Food movement', and even 'locavores' who eat only locally grown foods, are just beginning to take root in the US and we anticipate these and other trends will swiftly drive growth of local and fresh market foods," said Don Montuori, the publisher of Packaged Facts. Whole Foods, Publix and Kroger grocery stores are dedicated to purchasing locally grown food products in Georgia.

### Restaurants

Increasingly, restaurants are turning to locally grown food products in the creation of their meals. Restaurants are following the locally grown and eco-friendly trends being driven by consumers. Restaurants are touting the use of locally grown, sustainable, humanely grown, and eco-friendly products.

According to the 2008 American Restaurant Association, locally grown foods are one of the top-ten restaurant trends.

Chefs are interested in supporting local business, and reducing the carbon footprint of getting food to the restaurant by reducing the distance foods have to travel. The reduced time from harvest to the restaurant means a fresher, higher-quality product. This is being accomplished by purchasing locally produced food products.”

Additional market research provided by Matt Anderson, Office of International Trade, Georgia Department of Agriculture states:

“As far as the market trends go, domestic sales are the most promising. The US is the largest market for \*and currently is very dependent on imports, especially from \*. US consumption will increase with the aging of the Baby Boomers generation as older people consume more \*. Imports will still be large, but some key trends will slow them. The first is the exchange rate changes that are making imports more expensive. The second is the increasing awareness of product origins that will probably hurt foreign producers. Recent trends show that buying local has replaced buying organic as the popular thing to do. The farmers markets in Atlanta would be a good avenue for this.”

Certified \* have two unique characteristics: 1) Unique taste. The area in which our \* are grown is enriched with nutrients exclusive to our area. These nutrients provide our \* with a “sweet” taste, which is much preferred to \* with a “bland” taste. 2. \*

The \*’s have the financial resources, experience and management depth to operate this venture at the 52% capacity used in the feasibility study as well as the maximum capacity. They will be one of the only \*, processors, distributors and marketers in our area, with the capabilities to provide fresh, \* to meet customer orders. By controlling their product from the harvesting process to delivery, \* will have a competitive advantage with the niche market.

Another part of this venture includes the bi-products of the processing operation. The new venture will produce \*% byproduct in the form of \* Research is being conducted by \* to find the most practical use for the \* pounds of \* that will be produced at 52% capacity. Currently, \* can be sold to companies that make \* based products, used for \* or used to make \*.

Creative marketing and packaging is in the development stage that has an educational component directed at middle school teachers and students. Packaging design can also be used to promote conservation efforts of \* and it’s \* as well as encourage eco-tourism.

The \* Division of \* University has been contacted by \* and is interested in collaborating on these aspects of the company’s packaging. The niche market for \* is generally well-educated, has the means to travel and is sensitive to environmental issues.

### Technical Feasibility

For the purposes of the feasibility study, a 52% capacity was assumed using annual raw inputs of 403,000 pounds from owner/producers (78%) and 113,000 pounds (22%) from other independent producers yielding 320,000 pounds of finished product. The business will operate 260 days per year or 5 days per week for processing. Tasks will include \*. Production could be stepped up to meet higher than expected demand.

This level of processing would equate to daily production of 1,985 pounds of \* finishing to 62% or 1,230 pounds of saleable product.\* will operate and supervise these processes and additional labor will be added to grade, freeze and package. When not harvesting crew members will also be available to assist with processing. \* will operate this new venture efficiently and in compliance with the \* certification program as well as HACCP. The only additional piece of equipment needed is a grader that will be purchased used for \$25,000. Existing freezer capacity is 75,000 pounds and additional freezer capacity of 25,000 pounds will be needed beginning January 2009 to keep inventory and meet demand during the off-season when prices are highest.

### Customer base/increased returns

RD Instruction 4284.913(b)(2) Customer base/increased returns. Proposals that demonstrate strong growth in a market or customer base and greater Value-Added revenue accruing to producer-owners will receive more points than those that demonstrate less growth in markets and realized Value-Added returns. *Applicants must discuss how the venture will increase the customer base (demand) for the value-added product being produced and how more revenue/profits are returned to the producers. The pro forma financial statements should be one means of evaluating the expansion of the customer base and increased returns to the producers who own the venture. More points should be awarded to those ventures that result in the greatest increases in the customer base and the greatest increase in profits to producers.*

#### Example #1

This project will result in a significant increase in the customer base and, therefore, increase returns to the owners/producers. We will explain how we anticipate growing our customer base and how that growing demand will add additional revenue to our operation.

Discussions should point to the pro-forma financials as one way of documenting this growth. You may also want to get some information from your grocery store contacts about anticipated sales. Include percentage increases from you present sales volume and number of consumers.

#### Example #2

In most simple terms, the intent of the grower/owners of the company is to secure market access and improve farm income and profitability through cooperatively shelling peanuts and marketing the shelled product to manufacturers. This window of opportunity was opened by provisions in the 2002 Farm Bill which reduced the massive capital requirements that were required to operate a shelling facility. The project feasibility study and financial projections state that this barrier of entry has been reduced and other key characteristics have been incorporated into the industry, which now favors vertically integrated facilities. More specifically, the Farm Bill provides that the government will pay peanut storage and handling costs to the shelling plant and also finance the peanut inventory. These two provisions decrease working capital requirements and allow small and medium sized peanut shelling plants to compete in the marketplace.

The projected net profits will flow to the # producer/owners of the company. These profits will flow from the company to the owners, thus increasing their on-farm income.

### Example #3

The business venture is a project that will benefit growers in a three state region by raising the profit margins of beef produced in the area. Additionally, a higher percentage of that margin will be available to the local producer. This will be accomplished through a marketing concept the owner has developed.

The project is timely in that the feasibility study verifies a major trend toward a nutritional lifestyle among health conscious consumers who are seeking a healthier food product. This adds validity to the owner's idea that the market is expanding and demand for the product will continue to increase.

The degree to which incremental revenue will accrue to the benefit of the producer is evidenced by the selling price of the raw commodity versus the selling price of the value-added product. \* and other producers of beef would traditionally sell a 1,000 pound cow for approximately \$500. The 1,000 pound cow will yield approximately 370 pounds of meat. The value-added product \* is producing is % lean with a wholesale value of approximately \$ per pound. Thus, the increased revenue from this product will be % over the traditional price for the beef. Even with processing costs and retail and wholesale margins, the benefit that will accrue to the producer is substantial.

### Example #4

The mix of the current customer base will change and expand due to providing a value-added product, in the form and packaging, which best meets consumer needs. Projected customer demand was discussed in detail in the Business Viability-Economic Feasibility section. Projected revenue increases as calculated in the feasibility study are shown below:

#### **SUMMARY OF SALES BY CUSTOMER TYPE**

	<b>2006 %</b>	<b>2007 %</b>	<b>2008 %</b>	<b>\$ Increase</b>
<b>Brokers -</b>				
<b>Grocery Stores</b>				
<b>Processors/Wholesalers</b>				
<b>Restaurants</b>				
<b>Consumers TOTAL SALES</b>				
<b>Pounds Sold (Finished)</b>				
<b>\$ Per Pound \$</b>				

The increased revenues (%) derived from the new venture will be returned to the owner/producers in the form of salaries and net profit for \*. \* and all employees will earn additional revenues based on the value of the products they provide to the new venture as well as income for assisting with the value adding activities when not farming.

Currently, seven workers harvest \* and three workers handle processing, marketing and delivery, including the four owner/producers. A full time marketing coordinator will be added as

well as four entry-level workers needed to assist with the grading and packaging functions.

The pro-forma financial statements developed for this venture (as shown by our completed Feasibility Study and Business Plan, available upon request) shows that increased revenues of \_% will accrue to the individual producers in this venture.

The \*'s contacted several high-end grocers in and around their community. Results showed there is a strong desire for their value-added product in the Atlanta, Georgia area. \*, \* for the South Region of \* Market, has expressed an interest in carrying the new product in seven area stores. At his request, the \*s provided company information as a first step to becoming an approved vendor with \*. He needs weekly shipments that would equate to an annual purchase in excess of 80,000 pounds to service the Atlanta area stores. \*

attended \* Grower & Food Summit on \* to meet their purchasing and marketing executives and become familiar with their company specific quality control requirements. At the conclusion of the event, \* explained that he and his department team leaders are committed to carrying our product year-round.

They intend to run specials several times a year with fresh, product and want to stock \* the rest of the time. A new vendor application package was submitted.

The \*'s also signed a vendor agreement with a reputable distributor, \* Foods. The distributor has expressed an interest in distributing the value-added \* primarily to restaurants. This is the result of a brokering agreement with \* Association and any purchase orders filled for \* Foods would result in a \$0.10 per pound brokerage fee. The funding received by The \* Association allows the organization to continue promoting the interest of the state's \* industry as well as continue to certify and promote the \* brand.

\* will also continue to sell at their retail shop in \*, Georgia. Several marketing events are planned in 2008 for D\* to increase exposure of their brand to the local market. \* will prepare, cook and make our value-added product available for purchase during these events. They will answer any questions visitors have about their product and industry, as well as talk about the benefits of purchasing their value-added\* over imported \* Planned events include:

- The River Festival, with an expected attendance between 100,000 and 125,000.
- The Great \* Festival, with an expected attendance of 35,000.
- The \* Festival, with an expected attendance of 50,000 .

The degree to which incremental revenue will accrue can be seen with the price difference of their value-added \* versus \*. Depending on the size and quality, a \* generally causes a price increase between \$\$ and \$\$ per pound. If D\* added value to half of their harvest this year, based on past data, there is a potential of adding between \$\$,\$\$\$ and \$\$\$,\$\$\$ to their net income or #% to ##%. After considering all costs associated with adding-value to their raw product, the degree to which incremental revenue will accrue to the benefit of the producers is substantial.

### *Commitments and support*

RD Instruction 4284.913(b)(3) 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 identified markets, letters of intent or contracts from potential buyers and the 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 for referenced cash contributions/stock purchases to the venture, signed producer agreements that require delivery to the venture, letters of intent to deliver, and potential delivery of product to the venture. Actual versus potential commitments is better. For end-user commitment, look for referenced signed marketing agreements, referenced letters of intent to purchase product, or named potential end-users. Responsible, identified markets are worth more than optimistic market projections. For local support, look for referenced letters of support from local and state government, other grants, and commitments to provide technical assistance or financial assistance from development groups. The greater the commitment from these three sources, the greater the points awarded.*

#### Example #1

Dairy is made up to three farm families. \*, \* and \*\* are all owners of the farm. We are each fully committed to this project and have every expectation that we will be able to market every drop of milk we produce via our own name branded products. We have \* years of operation in the dairy business and know how difficult it will be to stay in that business if we do not enter into a Value Added venture. We have invested our lives and life savings to stay on the farm and anticipate that this new and exciting project will allow us to support our families for generations to come.

We anticipate that \* & \* , \* sons, will also be able to join our operation and become full members. They already are heavily involved in the dairy business and processing facility. We do not anticipate that any other producers will become involved as we hope to maintain our family ownership of the business.

End user commitments are somewhat harder to quantify. We have had discussion with # grocery stores in the local area and have assurances that they will provide shelf space for our products. As we have not been at 100% production and have not had a cheese product to sell, getting a signed contract for a particular amount of product is not feasible. However, the feasibility study completed by \* indicates that a market exists for a high quality cheese and shows \* pounds could be sold without taking away existing markets for the national cheeses. Our product will be different from those national cheese brands and will be marketed as a higher quality product.

Discuss additional opportunities for on-farm sales and how that part will increase.

You should also indicate that support that you have and are receiving from you local government entities, development groups, and university personnel. Identify any financial support or technical assistance you have received from these groups.

#### Example #2

There are # grower/members in the Company. These grower/members are contributing over \$ in grower equity to the enterprise. Each of the growers is executing a supply agreement, which requires that each member of the entity agrees to supply all peanuts produced to the shelling plant for a # year period. Additionally, each grower will sign a personal guaranty for the repayment of portions of the project debt.

The Sources and Use of Funds Statement, included as a supplemental exhibit, details the financing support for this project. Partnering entities include the \* Department of Community Affairs, the local Industrial Development Authority and a consortium of five banks. There is ample evidence that this project has the endorsement of local and state development agencies and the private sector lending community.

#### Example #3

The project currently has commitments of involvement and support for 25 other independent producers and has the potential to involve up to a total of 50. The nature of the other producers involvement is to sell to \* cattle that meets his requirements. The level of their participation has the potential to grow into a cattle cooperative in which they could build their own processing facility and attain a larger market penetration than currently expected.

End-user commitments have also been established for the end product. As a result of the current contract in effect, additional contacts have been made with similar organizations outside of the immediate market. Other negotiations are being held with a large grocery store chain about allowing this product to be placed in their stores.

A significant amount of third party support and endorsements from multiple sources have been received. Technical assistance and professional expertise have been provided as well as in-kind services for the project. The following list substantiates this support:

(include names, phone numbers, type of support)

#### Example #4

The cooperative has established 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 #, City Administrator \* affirms that the City of \* has offered to the co-op a # acre parcel of land with all utilities and roads to the ethanol plant. Further, the city has committed to

creating a tax increment financing district to provide infrastructure and incentives for the venture. The City estimates the value of this commitment at \$.

In a letter dated #, \*, Vice President, stated that his company strongly supports the development of the project as it would be a local supply of ethanol that they could use in their 300 stores.

\*, Bank President, commits to extending a line of credit in the amount of \$ for operating expenses. The line of credit is in effect form # to #.

\*, Vice President of Farm Credit, expresses on behalf of his bank their strong support for the development of the ethanol industry in the area and their willingness to provide financing for members to purchase shares in the facility.

#### Example #5

As discussed in the eligibility section, four independent agricultural producers are represented by this application. They own 100% of the Company. These four independent producers also represent the family farm that is jointly owned by the owners of the Company and also represent the family members who work the farm. Also, as previously discussed, profits are returned to the farm. Both the owners of the Company and all the owners of the family farm who supply Company are 100% committed to the endeavor. The farm has dedicated their entire harvest to Company. The intention of the owners are to use the Company to substantially increase the return on their farming investment by adding value to the crops produced on the farms. The owners production for the past and future years is as follows:

2005      2006      2007      2008

The price of \$ per cwt per acre average can be used to estimate the value of the crop in the field.

Company currently operates in four markets, bulk-bagged, whole peeled, IQF whole onions and IQF onion rings. Company currently has over 100 customers, and has contracts or letters of intent with # of those customers, accounting for approximately % of the business. A sample of customers follows:

Potential customers ready to test Company's new products are:

There is significant community and industry support for this project. The Regional Office of Economic Development has assisted the Company in identifying government supported sources of financing for the project. The Governors Office as also provided assistance in securing operating permits for the new facility. The State Gov't also provided forgivable loans in the amount of \$ tied to creating # of new jobs. Letters of support for this project were provided by:

City of	Staff Person	Date
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Management team/work force

RD Instruction 4284.913(b)(4) Management team/work force. The education and capabilities of project managers and those who will operate the venture must reflect the skills and experience necessary to effect project success. The availability and quality of the labor force needed to operate the venture will also be evaluated. Proposals that reflect successful track records managing similar projects will receive higher points for this criterion than those that do not reflect successful track records. *The applicant must describe the qualifications of those people who will manage and operate the venture. This includes the education and the experience of the management team. The applicant must also describe the potential labor force, including their education and experience. The producers' interests must be well protected. The applicant should describe how this is accomplished. Points are to be awarded on the basis of demonstrated skills and experience of both management and labor, and how the producers' interests are protected.*

#### Example #1

The management team for Dairy consists of \*, \*, and \*. The overall day-to-day operations of the processing facility will rest with \*. These men are all well qualified in their various field and have extensive educational backgrounds and have held numerous community and national leadership positions.

\* has been in the dairy business for \* years. As a member of DFA, he has served on ..... He has served on the local .... Board for several years and as chairman for # years. He has a degree from UGA in \*. He serves a deacon and Sunday School teacher at \* Church.

Other Brother

Brother-in-Law

Processing Manager

Cheesemaker

On-Farm Sales

Marketing Agent

Labor Force

While the jobs in the processing facility will not require a highly trained individual, there are still numerous individuals in the area who have experience in this type of work. We anticipate that starting salaries of \$ will be paid for at least # individuals. \* County has an unemployment rate of % as of December, so there are individuals who can be hired without much issue. As we are longtime residents and employer of several people on our farm, we do not anticipate having any problems in finding a suitable work force for our milk processing facility.

Financial Institution

We have a strong relationship with our bank, \*. As you can see by their verification of matching funds letter, we have the ability to seek funding as needed. We have been a customer of theirs for over # years and anticipate continuing that relationship for many years to come.

#### Example #2

The project will be managed by the owner, \*. He graduated from the University of \* in # with a Bachelor's Degree in Animal Science. He has been in the cattle business his entire life.

His experience outside the farm reveals his competency in business management. He was a senior field manager for \* for more than 23 years. He supervised numerous stores with over 100 full time employees. Most recently, he has served as President of \*. In this role, he managed an integrated network of agricultural businesses that spanned all of south State. His resume is attached and included in Other Attachments.

He also understands the importance of employing persons highly skilled in areas of expertise different from his own. For the value-added venture, he employs professionals to perform specific functions, such as marketing material, web design and product package design.

Contract labor is hired for processing and transporting his product. Contract labor is readily available in the area. A local meat processor, in operation over 50 years, prepares the meat and packaging according to the owners requirement. Transportation is handled by \*. They are an established company with 15 refrigerated trucks.

#### Example #3

The company realized early on in the process that a general manager with experience and market relationships would be key to the success of the business. \*, General Manager, fit that bill. He has more than 25 years experience in the peanut industry. He has been associated with a shelling facility and the marketing of their peanuts for the time he was there. His credentials include 11 years as General Manager and 10 years as Executive Vice President. His long-term marketing relationships with further-processors are an important resource for this project.

Other key positions within the facility will be filled with individuals who have industry knowledge along with the skills and abilities that are needed to make this project a success. Appropriate levels of education and experience will be included in individual job descriptions for these positions.

An adequate and experienced labor force is available with the local project area. According to the Dep't of Labor, # workers in the area were unemployed as of \*. The unemployment rate for this area averaged % for the past 4 months.

Ownership in the facility is pro-rated based upon the individual investors percentage of tonnage pledged to the facility. An eleven member Board of Directors will provide policy direction for the company. This Board is comprised of recognized agribusiness leaders in the region and includes members who have been with this project from the very beginning. The four officers have an

average of 24 years of experience in farming and agribusiness. The General Manager will report directly to the Board of Directors.

Work plan/budget

RD Instruction 4284.913(b)(5) Work plan/Budget. The work plan will be reviewed for whether it provides specific and detailed planning task descriptions that will accomplish the project's goals and 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 venture's operations 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

WORK PLAN

Task	Start	End	Budget			
	Date	Date	Federal	Cash	In-Kind	Total
Task 1 – Purchase Inventory Responsible Staff:	10-1-08	9-30-09				
Task 2 – Operating Expenses Salaries Utilities Supplies Responsible Staff:	10-1-08	9-30-09				
Task 3- Marketing Advertising Trade Shows Internet	10-1-08	9-30-09				

Responsible Staff:						
Task 4						
Responsible Staff:						
<b>Total Cost of Project</b>						

A Projected Sources and Uses of Funds Statement is included as a supplemental exhibit. This document provides a detailed breakdown of estimated costs associated with the project and the source of funding that will be used for each cost element.

Amount requested

RD Instruction 4284.913(b)(6) Points will be awarded based on the size of the grant request. Requests for lower amounts will receive a higher score for this criterion than higher requests. The points to be awarded and request ranges will be established in the applicable RFP. *The ranges will be determined each year based on the distribution of requests.*

This Working Capital request is for \$.

Project cost per owner-producer

RD Instruction 4284.913(b)(7) This is calculated by dividing the amount of Federal funds requested by the total number of producers that are owners of the venture. Points to be awarded will be established in the applicable RFP. *This is the number of producers who own the venture. It is not the number of producers who will benefit from the venture by merely selling the venture commodity. If a steering committee applies, the number used should be the number of members on the steering committee.*

The cost per producer is as follows:

$$\text{\$/ \# producers} = \text{\$ per producer}$$

This amount is well below the \$ limit required to receive full points for this section according to the evaluation criteria.

## 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 will hire \*, CPA to do annual financial statements, audits and file the required paper work with the Internal Revenue Service and the Georgia Department of Revenue. The secretary/treasurer will handle the check book, the paying of all bills, making bank deposits, and then relay this information to the CPA. According to the by-laws, expenditures will be approved by the Executive Committee if not the full membership.

\* LLC financial management is controlled by the owners. The financial management system was set up with the assistance of a CPA, \*, C.P.A of \* of \* GA. \* is experienced with business management and bookkeeping and is in charge of the day-to-day bookkeeping. Communication with the CPA is as needed. The CPA does the end of year returns.

\* deals with a product and has developed a flexible system that compensates for variables in production. Once the \* is harvested and is in the processing facility, many variables disappear. Production is based on forecast results from growth history. In order to anticipate and be prepared for reorders, a record is kept on past weekly sales. Sales are graphed monthly. Regular financial management practices includes the practices of: taking advantage of quantity discounts on all needed purchases when available. Borrowing funds for all major capital expenses (building, processing equipment and vehicles) and setting goals for payment plans. \* LLC owners create an annual budget at the beginning of every fiscal year, and a three year forecast.

### Procurement Procedures:

As the need arises, the President will check with various retailers concerning supplies, services or other items that are needed for the business. While the cheapest price is not always the best, we do recognize when we should accept an offer or check with other sources. Being farmers for over 30 years has allowed us to become very knowledgeable about the market for services and supplies.

\* LLC has a strict procurement procedure, and all decisions are made by owners. No purchases, regardless of amount, are made without the approval of owners. \* has practiced frugality throughout its history, and especially with its value-added product. Only purchases that have been determined to assist in effectiveness or aimed at improving profits are made. Items are purchased based upon the quality and value they can provide. Larger expenditures, such as processing equipment, require research before purchases are made. For example, the owners visited other facilities across the Southeastern United States before deciding upon equipment for their value

added project. Prices are also researched by making contact with multiple vendors. The final purchase decision is based on product quality and other vital issues, such as timeliness.

#### Personnel Policies:

As this is a start-up operation, there is no need for any outside employees at this time. Once we begin a processing facility, a written set of personnel policies will be established. At that time, 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.

\* LLC is a family-owned company. It has sixteen (16) full-time employees. All employees have a work schedule to follow.

Personnel policies in place include guidelines on sick leave, vacation and absences. Procedures are in place for grievances and reprimands. A structure for wages and wage increases is in place. \* LLC has a drug free working environment. Safety precautions include USDA chemical handling regulations and \* is HACCP approved and monitored.

#### Property Management System:

We presently do not own any property and processing facility. When we do, we will comply with all local ordinances to operate our facility at the site. Insurance, both property and liability, will be maintained on the buildings and processing facility. \*, LLC has four components - growing, processing, bagging, and distribution. The properties for each are as follows.

The first component consists of twelve (12) acres of \* that are harvested when \* is ready. All management decisions are made on the basis of what is best for production. \* follows the requirements of the USDA Service programs in land and water management practices and goes above and beyond the basic requirements. All operations are HACCP approved and monitored.

The processing facility and bagging facility are the second/third components of \* properties. \* processing facility was set up under HACCP guidelines. Two people went to a HACCP seminar and wrote its plan. This plan is view and monitored and also USDA inspected. Georgia Department. of Agriculture inspections are done approximately every three months for sanitation and cleanliness, water monitoring and overall health issues. Daily monitoring is done by \* for cleanliness as well as other facets of the value-added process.

The 170 stores get bi-weekly deliveries. Drivers and helpers are the company's contact with the grocery stores and maintain a professional relationship. All products carry approved USDA labels and are monitored by the driver/helper.

All delivery vehicles are DOT inspected and log books are maintained. Drivers have health cards and are trained according to DOT guidelines.

Property taxes are paid when due each year. Insurance is maintained on all structures, as well as the product liability. The processing facility is maintained in accordance with USDA inspection requirements.

#### Travel Procedures:

When travel is required, as it relates to the value-added operation, the uses of a local travel agent may be used. 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 us to make travel arrangements, including flights and hotels, at the most reasonable cost to the association.

Travel expenditures are paid only for travel that is exclusively for the purpose of conducting company business. All travel expenditures consist only of necessary expenses related to the trip's purpose. Only the owners can approve travel. The primary reason for travel is to solicit business and make deliveries. Owners attend seminars that provide insight into growing and harvesting issues that can improve the value-added product.

Another necessary travel cost in the \* LLC business is to visit other stores in order to keep abreast of industry changes and continue to build relationships with others.

Hotel accommodations are prices for the most economical overnight stays. \* is a member of Corporate Lodging. Price and location of stays are always considered.

#### 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 he 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 he 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 he Project has a reasonable chance of success and will have a significant impact on the local economy.

Example #1

Example #2

\* began producing its first Value-Added product, \*, in 1998. Although their product volume provided service for a few local restaurants, owners, \*, realized the viability of their product's marketing opportunities. \*'s Business Plan demonstrated that the \*'s venture would be profitable, but they still needed the reassurance of profits gained.

Reassurance has resulted as the venture has grown every year from a moderate growth to a recent leap in profits and productivity. As the owners' experience has grown, they have invested in more lucrative production practices. This practice of growing with the national market in spite of being a producer in a state that has lagged behind in the market, has confirmed the feasibility of \*'s expansion venture. Growing with the market and venturing out into higher margin products has increased the value of \*'s products and will ensure the sustainability of \*.

Other invaluable sustainability measures strictly enforced by \* consist of: maintaining the highest quality products, maintaining exceptional control of its product environment, providing a seamless full-scale operation through every phase of production, and keeping a close eye on the market. The 20 acre, ten-year-old operation at \* can credit its longevity to the superior management of its owners. The \* Family, as owners of the venture, has carried that philosophy into the Value-Added product.

The economic impact of \* on the local economy has been very positive. As it has expanded its customer base from a limited number of local restaurants to 170 grocery stores in a 200-mile radius, \* has made an impact on both the local and regional economies involving the tri-state area it serves, inclusive of southern Georgia, southern Alabama, and north Florida. Because its income is not solely dependent on the local economy and because it is a net importer of wealth into the community, \* has a positive impact on the local economy. Because it services its customer base by providing a high-demand, quality product that promotes their expansion as well, \* has a positive impact on the regional economy. Because it supplements its own production with what other growers can produce and furnishes them with \* for repurchasing, \* is assisting growers in Georgia as well.

\* has a positive impact on the local economy as well by providing full-time employment to 16 local residents. The average salary is \$

Because the \* Family takes pride in their family-owned farm and business venture, the likeliness of continuing their successful business practices is secure. They have had, and will continue to have, a significant positive economic impact on the local economy.

### 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 Applicant

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

Example #1

Innovation

Company facilities used in this venture are unlike any other processing plant in the country. The combination of environmental controls, energy controls and storage facility is unique. It is important because these items protect the product from outside factors and extends the “shelf life” of the product for up to a year. This allows us to market during the off season when prices are usually higher.

Underserved Area

This part of the State, country, ranks in the lower % of income, poverty, education, etc. Manufacturing jobs have left the area in large numbers, etc.

## CONFLICT OF INTEREST DISCLOSURE

Company does not have a known relationship or association with an Agency employee.

## CERTIFICATION OF JUDGEMENT

Company has no outstanding judgment from Federal court, is not delinquent in federal income taxes or federal debt, and has not been debarred from receiving federal assistance.

## CERTIFICATION OF MATCHING FUNDS

Company 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.

## 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.

### Certification Statement

The Applicant for this application, \*, LLC provides the following letter as Verification of Matching Funds.

The funds are provided through a line of credit with the \_\_\_\_\_ Bank of \*, GA.

The letter is signed by Bank President \_\_\_\_\_ and states that the amount of funds available is \$ \_\_\_\_\_; that the funds are available for the time period November 1, 2009 to October 31, 2010; and the funds may be used as matching funds for the purpose of the Value-Added Producer Grant to perform the tasks listed in the Work Plan and Budget of this application.

## APPENDIX A: FINANCIAL STATEMENTS

Insert all required assumptions and pro-forma financial statements in this appendix. For a complete discussion of the requirements for this section, please see the NOSA.

## APPENDIX B: LETTERS OF SUPPORT

Insert up to 10 letters of support in this appendix.