

Urban Small Farms Conference 2019

Wednesday, February 20th, 2019

Time	Loans and USDA Programs
8:30	USDA - FSA Jamie Rex, Summit County Farm Loan Officer pg. 54
9:00	USDA - NRCS Jenny Jo Cox, USDA - NRCS pg. 58
9:30	USDA - Rural Development Jason Justesen, USDA - RD Barry Christensen, USDA - RD pg. 59
10:00 - 10:30 Break	
10:30	2018 Farm Bill Update - Brandon Willis, USU pg. 74
11:00	Whole Farm Revenue Protection - Robert Smith, USDA - RMA
11:30	pg. 75

Click on the session you would like to view and it will take you there!

USDA-FSA

USDA – Farm Service Agency will be introducing the different loan programs that they have available including the micro loan programs.

Jamie Rex

Summit County Farm Loan Officer

USDA

Jamie.rex@usda.gov

Jamie Rex grew up in Cedar City and attended SUU. She moved to Coalville in 2009 and began working for Farm Service Agency as a Program Technician. In 2015 she had the opportunity to start training to be a Farm Loan Officer. Since the completion of her farm loan training, Jamie has been over loan servicing for Summit and Rich Counties and is currently assisting with the Utah, Davis, Salt Lake, and Juab Counties. Jamie has 6 kids and enjoys watching them in their sports and extracurricular activities. In her spare time she enjoys moments with her family and friends.

FARM SERVICE AGENCY

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AGRICULTURE

Who is FSA



The Farm Service Agency (FSA), is an agency within the United States Department of Agriculture (USDA).

FSA's Farm Loan Programs (FLP) provide temporary credit to agricultural producers who are unable to obtain private, commercial credit. FSA places special emphasis on providing loans to beginning, minority and women farmers and ranchers.

Goal of FSA's loan programs is to graduate it's borrowers to commercial credit.

Intro to FSA Loan Programs

- If you are a farmer or rancher who is unable to obtain credit from another lender to start, purchase, sustain, or expand your family farm you may be able to get a loan through FSA's Farm Loan Programs.
- FSA has different types of loans depending on your current situation and what you need the loan for.

Guaranteed Loans



- ❧ Commercial lender
 - ❧ EZ Guarantee
 - ❧ Farm Ownership
 - ❧ Operating
 - ❧ Conservation Loans

TYPE OF LOAN	MAXIMUM LOAN AMT	RATES AND TERMS
EZ Guarantee	\$100,000	Same as guaranteed farm ownership and guaranteed operating.
Farm Ownership	\$1,399,000 – adjusted annually for inflation.	<ul style="list-style-type: none"> • Term: Up to 40 years • Rate: Determined by lender.
Farm Operating	\$1,399,000 – adjusted annually for inflation.	<ul style="list-style-type: none"> • Term: 1-7 years • Rate: Determined by lender.
Conservation Loan (CL)	\$1,399,000 – adjusted annually for inflation.	<ul style="list-style-type: none"> • Term: Up to 30 yrs • Rate: Determined by the lender
Land Contract (LC)	\$500,000 or current market value of property.	Term: Contract payments must be amortized for a minimum of 20 years with equal payments during the term of the guarantee. The guarantee period is 10 years

Direct Loans



- œ FSA is the lender
 - œ Farm Ownership
 - œ Operating
 - œ Microloans (Farm Ownership and Operating)
 - œ Emergency

Type of Loan	Maximum Loan Amount	Rates and Terms
Farm Ownership	\$300,000	<ul style="list-style-type: none"> • Term: Up to 40 years • Interest Rate: Fixed**
Farm Ownership Participation	\$300,000	<ul style="list-style-type: none"> • Term: Up to 40 years • Interest Rate: Fixed** • At least 50% of loan amount provided by another lender
Direct Down Payment	<p>The lesser of the following:</p> <ul style="list-style-type: none"> • 45% of the farm or ranch purchase price • 45% of the appraised value • \$667,000 	<ul style="list-style-type: none"> • Term: Up to 20 years • Interest Rate: Fixed** • Down payment of at least 5% • Must be a beginning farmer.
Farm Ownership Microloan	<ul style="list-style-type: none"> • \$50,000 	<ul style="list-style-type: none"> • Term: Up to 25 years • Interest Rate: Fixed**

Type of Loan	Maximum Loan Amount	Rates and Terms
Direct Operating	\$300,000	<ul style="list-style-type: none"> • Term: 1 to 7 years • Interest Rate: Fixed**
Direct Operating Microloan	\$50,000	<ul style="list-style-type: none"> • Term: 1 to 7 years • Interest Rate: Fixed**
Emergency	<p>The lowest of the following:</p> <ul style="list-style-type: none"> • 100% of actual or physical losses • \$500,000 	<ul style="list-style-type: none"> • Term: 1 to 7 years (possibly up to 20 years) for non-real estate purposes • Up to 40 years for physical losses on real estate • Interest Rate: Fixed**
Youth	<ul style="list-style-type: none"> • \$5,000 	<ul style="list-style-type: none"> • Term: 1 to 7 years • Interest Rate: Fixed**

Eligibility

❧ Eligibility requirements different for each type of loan

❧ BASICS

- ❧ Credit history
- ❧ Credit elsewhere
- ❧ Managerial experience
- ❧ Owner operator
- ❧ Family sized operation

Microloans



- ❧ The Microloan (ML) program was developed to better serve the unique financial operating needs of beginning, niche and the smallest of family farm operation
- ❧ The application process for microloans will be simpler, requiring less paperwork to fill out, to coincide with the smaller loan amount. Requirements for managerial experience have been modified to accommodate smaller farm operations, beginning farmers and those with no farm management experience.

Beginning Farmer



- ❧ Has not operated a farm for more than 10 years.
- ❧ Meets the loan eligibility requirements of the program to which he/she is applying.
- ❧ Substantially participates in the operation of the farm.
- ❧ Applicants for FO purposes must be participated in the business operations of a farm for at least 3 out of the last 10 years.
- ❧ For FO purposes, does not own a farm greater than 30 percent of the average size farm in the county, at the time of operation.
 - ❧ Box Elder – 284.4 acres
 - ❧ Cache County – 66.3 acres

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Essential Calculators for the Web Standard Loan Calculator Results

Operating Loan

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Loan Amount: \$300,000.00

Interest Rate: 2.88%

Number of Years: 7

Number of Periods
Per Year: 1

Payment Amount: \$49,522.11

Total Interest
Paid: \$46,654.76

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**Essential Calculators for the
Web Standard Loan Calculator
Results**

Farm Ownership

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Loan Amount: \$300,000.00

Interest Rate: 4.00%

Number of
Years: 40

Number of
Periods Per
Year: 1

Payment
Amount: \$15,157.05

Total Interest
Paid: \$306,281.87

Things to think about?



- ❧ Must be producing a agricultural commodity
- ❧ What are you going to produce?
- ❧ Where are you going to market the products?
- ❧ How are you going to repay the loan?
- ❧ What are your goals for the operation?

Contact Information



Jamie Rex-Farm Loan Officer

- jamie.rex@usda.gov
- 435-336- 5573 Ext. 101

- Freda Powell-Farm Loan Manager
- Freda.Powell@usda.gov
- (435) 789-7133 Ext 112

Resources and Funding with NRCS

Presentation on NRCS and what the agency can offer landowners and agricultural operators in the way of technical advice and financial assistance to qualified applicants.

Jenny Jo Cox

District Conservationist

NRCS

Jenny.Cox@ut.usda.gov

Jenny Jo is a Utah native. She attended Brigham Young University in Environmental Soil Science, then went on to receive a Master's degree in Soil Science from Texas Tech University.

Jenny Jo spent her childhood hiking in the mountains and parks of Utah. She learned to appreciate open spaces and the people that take care of the land. When it came to choosing a career, "Helping people help the land" seemed like the best possible motto to follow. She has worked for NRCS for 7 years and has been District Conservationist of the Weber River watershed since September. Her team services Davis, Morgan, Summit, and Weber Counties.

USDA Rural Development

Rural Energy for America Program (REAP), Value Added Producer Grant (VAPG).

Jason Justesen

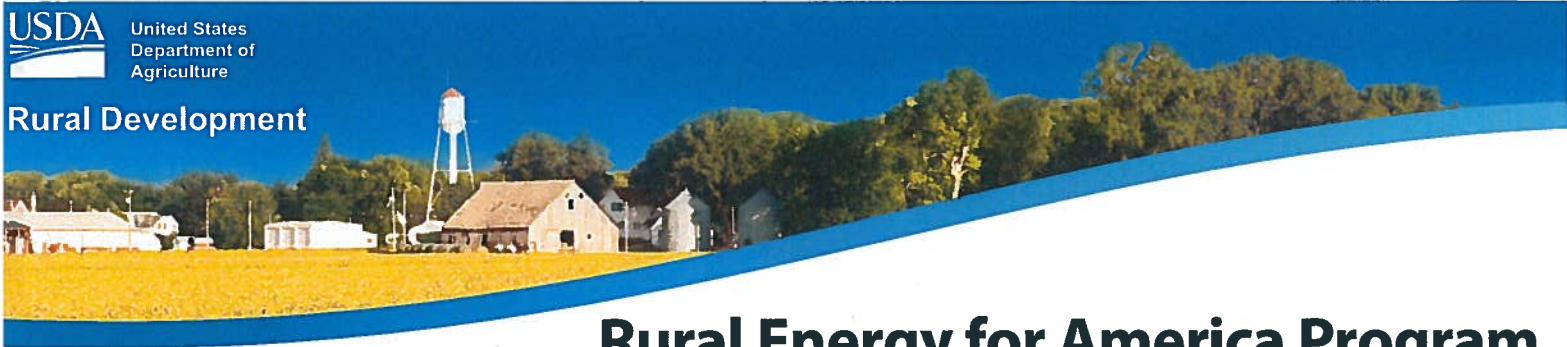
Energy Coordinator
USDA Rural Development
jason.justesen@ut.usda.gov

Jason grew up on a small turkey farm in a rural community in Central Utah. His family also owned and operated a small business for 25 years. He graduated from Utah State with a Bachelor's in Finance and has worked in the lending industry for 22 years. Jason has worked in various positions for USDA Rural Development for over 14 years. Since taking on the Energy Coordinator position in 2015 Jason has helped fund 55 energy projects for Utah's rural small businesses and agricultural producers.

Barry Christensen

Energy Coordinator
Cooperative Specialist
barry.christensen@ut.usda.gov

Barry grew up in rural Utah and was raised on a turkey farm in Moroni. Barry graduated from Snow College in 1995 & Utah State University in 1998. He began working for USDA Rural Development in 2006 in the Provo office working in single and multi-family housing. In February 2015 he moved to the Ephraim office to work in USDA's Business & Cooperative programs. There his primary responsibilities include working with lenders throughout the Central and Southwestern part of Utah to provide guarantee loans for rural small businesses. He is also the Cooperative Specialist for the State of Utah which includes the Value Added Producer Grant (VAPG) program.



Rural Energy for America Program Renewable Energy & Energy Efficiency

What does this program do?

Provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses to purchase or install renewable energy systems or make energy efficiency improvements.

Who may apply?

- Agricultural producers with at least 50% of gross income coming from agricultural operations, and
- Small businesses in **eligible rural areas**.

NOTE: Agricultural producers and small businesses must have no outstanding delinquent federal taxes, debt, judgment or debarment.

What is an eligible area?

- Businesses must be in an area other than a city or town with a population of greater than 50,000 inhabitants and the urbanized area of that city or town. **Check eligible business addresses.**
- Agricultural producers may be in rural or non-rural areas.

How may the funds be used?

Funds may be used for the purchase, installation and construction of renewable energy systems, such as:

- Biomass (for example: biodiesel and ethanol, anaerobic digesters, and solid fuels).
- Geothermal for electric generation or direct use.
- Hydropower below 30 megawatts.
- Hydrogen.
- Small and large wind generation.
- Small and large solar generation.
- Ocean (tidal, current, thermal) generation.

Funds may also be used for the purchase, installation and construction of energy efficiency improvements, such as:

- High efficiency heating, ventilation and air conditioning systems (HVAC).
- Insulation.
- Lighting.

- Cooling or refrigeration units.
- Doors and windows.
- Electric, solar or gravity pumps for sprinkler pivots.
- Switching from a diesel to electric irrigation motor.
- Replacement of energy-inefficient equipment.

What funding is available?

- Loan guarantees on loans up to 75% of total eligible project costs.
- Grants for up to 25% of total eligible project costs.
- Combined grant and loan guarantee funding up to 75% of total eligible project costs.

What are the loan guarantee terms?

- \$5,000 minimum loan amount.
- \$25 million maximum loan amount.
- Up to 85% loan guarantee.
- Rates and terms negotiated with the lender and subject to USDA approval.
- Maximum term of 30 years for real estate.
- Maximum term of 15 years, or useful life, for machinery and equipment.
- Maximum term of 7 years for capital loans.
- Maximum term of 30 years for combined real estate and equipment loans.



Rural Energy for America Program Renewable Energy & Energy Efficiency

What are the grant terms?

Renewable Energy System Grants:

- \$2,500 minimum.
- \$500,000 maximum.

Energy Efficiency Grants:

- \$1,500 minimum.
- \$250,000 maximum.

Are there additional requirements?

- Applicants must provide at least 75% of the project cost if applying for a grant only.
- Applicants must provide at least 25% of the project cost if applying for loan, or loan and grant combination.
- Projects greater than \$200,000 require a technical report.
- Energy efficiency projects require an energy audit or assessment.

How do we get started?

Applications for this program are accepted year round at your **local office**.

Who can answer questions?

Contact your **State Rural Development Energy Coordinator**.

What governs this program?

- Basic Program – 7 CFR 4280, Subpart B
- This program is authorized by Title IX of the **Agricultural Act of 2014**, (2014 Farm Bill)

Why does USDA Rural Development do this?

This program helps increase American energy independence by increasing the private sector supply of renewable energy and decreasing the demand for energy through energy efficiency improvements. Over time, these investments can also help lower the cost of energy costs for small businesses and agricultural producers.



Rural Energy for America Program

REAP

*Renewable Energy
Systems & Energy
Efficiency Improvements
Program*



Eligible Applicants

Agricultural Producer

















- **Individual or entity that receives 51 percent or more of their gross income from agricultural production** – crops, livestock, aquaculture, forestry operations, nurseries, dairies

Rural Small Business



- **For-profit small business** - as defined by the Small Business Administration (SBA)
- **Rural area or non-metro community of $\leq 50,000$**

Improve Profits for Your Rural Small Business, Farm or Ranch with REAP

Energy Efficiency		Renewable Energy	
	Lighting		Solar
	Heating		Wind
	Cooling		Small Hydroelectric
	Ventilation		Anaerobic Digesters
	Fans		Biomass
	Automated Controls		Geothermal
	Insulation		Wave/Ocean Power

The technology must be commercially available. Research and development projects do not qualify.



Eligible Project Costs

- **Equipment:**
 - Purchase & installation
 - New or refurbished
- **Post-application construction & facility improvements**
- **Retrofitting**
- **Professional service fees**
- **Permits & license fees**
- **Working capital, land acquisition (Guarantee loan ONLY with restrictions)**





Ineligible Project Costs

- **Residential energy projects**
- **Equipment:**
 - Farm tillage equipment
 - Used equipment
 - Vehicles
- **Pre-application construction & facility improvements**
- **Application preparation or grant writer fees**
- **Line of credit**
- **Lease payments**
- **Payment to the applicant/business owner, beneficiary, or relative**

REAP Grant Assistance

Up to 25%
of Eligible Project Costs

 Renewable Energy Systems		 Energy Efficiency Improvements	
Minimum Grant Request	\$2,500 Total eligible project costs \geq \$10,000	Minimum Grant Request	\$1,500 Total eligible project costs \geq \$6,000
Maximum Grant Request	\$500,000 Total eligible project costs \geq \$2 million	Maximum Grant Request	\$250,000 Total eligible project costs \geq \$1 million

REAP Guaranteed Loan Assistance

Up to 75%
of Eligible Project Costs

<p>Minimum Loan Amount</p>	<p>\$5,000 Total eligible project costs \geq \$6,667</p>
<p>Maximum Loan Amount</p>	<p>\$25 million Total eligible project costs \geq \$33.4 million</p>
<p>Details</p>	<ul style="list-style-type: none"> • USDA guarantees a commercial loan; applicant must have a willing lender. • Terms are negotiated between the lender and borrower. • Fees, appraisals, equity & collateral requirements apply.

REAP Application Window Closing Deadlines

April 1, 2019	<ul style="list-style-type: none">➤ Unrestricted grant requests➤ Grant Request < \$20,000➤ Combination Grant/Loan Request
Oct 31, 2019	<ul style="list-style-type: none">➤ Restricted Grant Request \$20,000 or less➤ Combination Grant/Loan Request
Continuous Application Cycle	<ul style="list-style-type: none">➤ Guaranteed Loans reviewed monthly

Chicken Farm



Radiant heat, fans, vents & computerized controls



- \$99,293 Total Cost
- \$20,000 REAP Grant
- \$79,293 Commercial Loan



Improved egg production, reduced time and labor, energy savings

Energy Efficiency



Veterinary Hospital

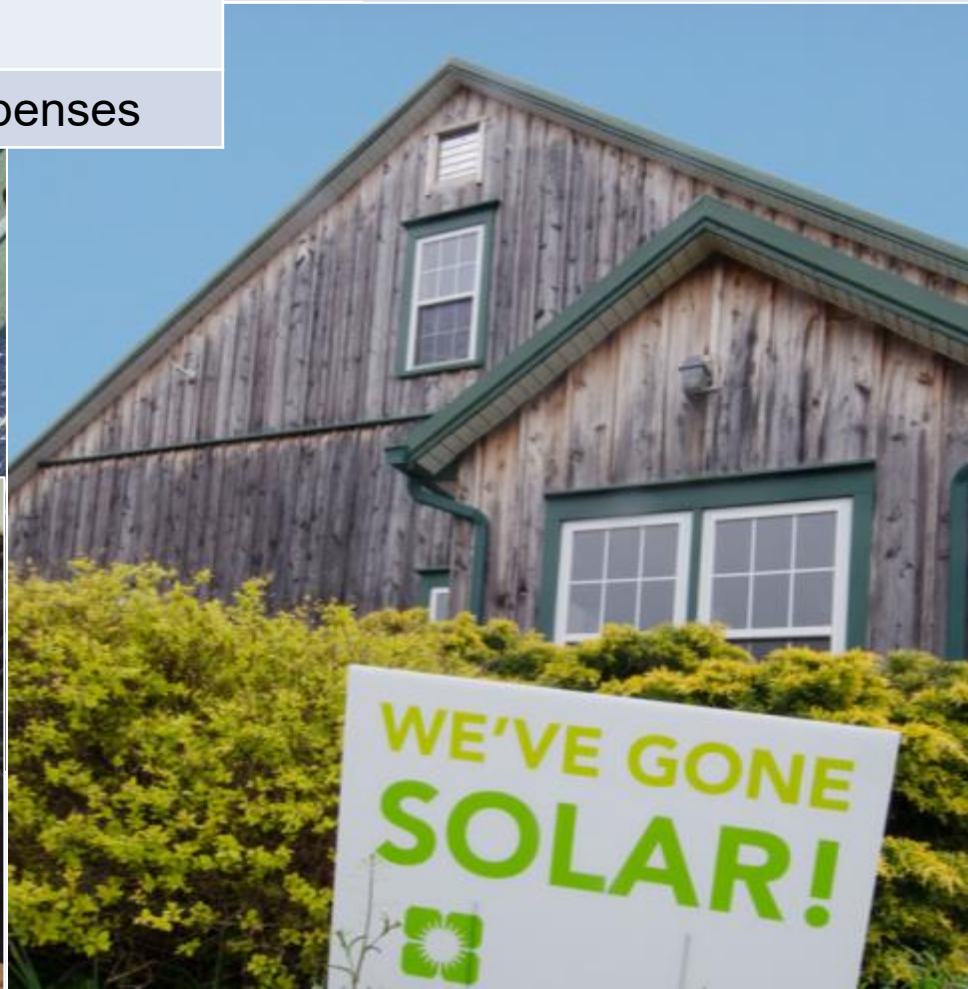


Rooftop solar panels

- \$148,050 Total Cost
- \$ 20,000 REAP Grant
- \$128,050 Applicant Funds

30-40% reduction in operating expenses

Renewable Energy



Laundromat & Dry Cleaner



Energy efficient equipment

- \$42,040 Total Cost
- \$10,510 REAP Grant
- \$31,531 Dealer Financing

52% energy savings



Energy Efficiency



Renewable Energy



Small Energy Company & Dairy Farmers



1 MW Anaerobic digester

- \$4.15 Million Total Cost
- \$100,000 REAP Grant
- \$2.65 Million REAP Guarantee

Powers an equivalent of 700 homes/year



Energy Efficiency



Nursery



Energy efficient glass roof, radiant heat, fans, vents, & computerized controls



- \$287,855 Total Cost
- \$ 71,964 REAP Grant
- \$100,000 REAP Guarantee
- \$115,891 Commercial Loan



40% reduction in energy costs



Renewable Energy



Rural Auto Repair Shop



11 kW micro-hydropower turbine

- \$78,511 Total Cost
- \$19,695 REAP Grant
- \$58,816 Applicant Funds

51% reduction in energy costs

Energy Efficiency



Rural Manufacturer

Grocery Store



Efficient lighting system

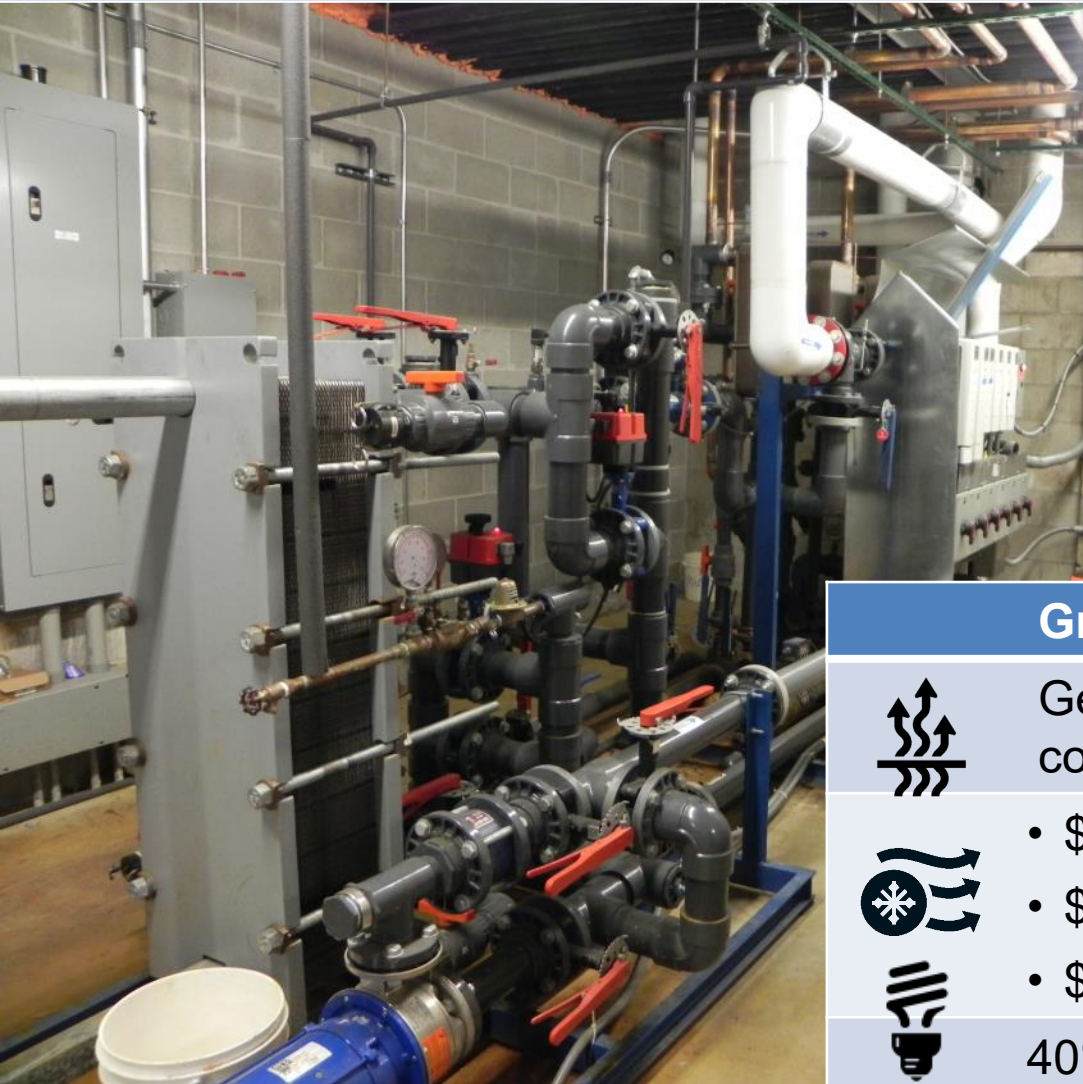
- \$78,511 Total Cost
 - \$19,695 REAP Grant
 - \$58,816 Applicant Funds
- 50% savings on lighting bill



Energy efficient cooler doors

- \$41,363 Total Cost
 - \$8,827 REAP Grant
 - \$2,950 Electric Co-op Rebate
- \$500 per month savings

Renewable Energy



Grocery Store



Geothermal heat, energy efficient coolers & lighting



- \$198,600 Total Cost
- \$49,650 REAP Grant



- \$148,950 Commercial Loan
- 40% reduction in energy costs

Energy Efficiency



Flower & Gift Shop



Energy efficient heating & cooling, insulation



- \$34,509 Total Cost
- \$8,627 REAP Grant



- \$17,200 REAP Guarantee
- \$8,682 Applicant Funds

60% reduction in energy costs

How to Apply

- Contact the USDA Rural Development Energy Coordinator for application materials and resources.
- <http://www.rd.usda.gov/>

Rural Development Contacts

- Perry Mathews

801-524-4328 or perry.mathews@ut.usda.gov

- Barry Christensen

435-283-8004 x107 barry.christensen@ut.usda.gov

- Jason Justesen

435-283-8004 x106 jason.justesen@ut.usda.gov

- Luann Wilson

801-524-4322 luannwilson@ut.usda.gov



Rural Energy for America Program (REAP)

www.rd.usda.gov/reap

Rural Business-Cooperative Service
Energy Programs

USDA is an equal opportunity provider and employer. To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, Office of Adjudication, 1400 Independence Ave., S.W., Washington, DC 20250-9410 or call (866) 632-9992 (Toll-free Customer Service), (800) 877-8339 (Local or Federal relay), (866) 377-8642 (Relay voice users).

FY2019 Value-Added Producer Grant



WHAT IS VAPG?



Provides funds for economic planning activities or eligible working capital expenses to enable viable Agricultural Producers to develop businesses that produce and market Value-Added Agricultural Products and to create marketing opportunities for such businesses.



VALUE-ADDED PRODUCER GRANT

- **National Competition**
- **FY2019 Available Funding: TBD**
- **FY2017 Application Deadline: TBD**
- **Maximum Award Amounts**
 - \$75,000 Planning
 - \$250,000 Working Capital
- **Matching Requirement**
 - 1-to-1 match (50% of total project costs) cash or in-kind
- **Grant Period**
 - Up to 36 months, depending on project complexity.



Grant Types

Planning

Funds may be used to assist in the development of a feasibility study, business plan, and/or marketing plan related to processing and marketing the value-added product.



Grant Types

Working Capital

Funds may be used to pay for eligible costs associated directly with the processing and/or marketing of the value-added product.



VALUE-ADDED PRODUCER GRANT

Examples of successful applications...

- Working capital grant funds to diversify a product line of hand-raised, all natural beef products to include a wider variety of value-added raw and ready-to-eat products.
- Working capital to help expand the market for locally-produced, non-GMO, free-range chicken products.
- Planning funds utilized to determine the feasibility of converting switchgrass into fuel and poultry bedding.
- Working capital funds used to process, package, deliver and market premium dessert quality applesauce from organically produced apples.

Basic Program Elements

- Eligibility
 - Application
 - Project
 - Purpose
 - Eligible Uses of Funds
- Evaluation Criteria & Scoring
- Application requirements



Applicant Eligibility

There is NO rural requirement:

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



Eligible Applicants Must Be Agricultural Producers:

“An individual or entity that produces an Agricultural Commodity through participation in the day-to-day labor, management, and field operations...”

...and must meet the definition of one of four applicant types:



Eligible Applicant Types

- Independent Producer
- Agricultural Producer Group
- Farmer or Rancher Cooperative
- Majority Controlled Producer-Based Business



Independent Producer

An individual agricultural producer or an entity that is **solely owned and controlled by agricultural producers**, that are directly engaged in the production of the subject agricultural commodity*.

Agricultural Producer Group

- Formal, **nonprofit** membership organization that represents Agriculture Producers (that meet the VAPG program definition requirements for an Independent Producer) and operates with a mission that includes working on behalf of Independent Producers.
- The majority of the applicant's membership meet the definition of Independent Producer.
- The majority of the applicant's board of directors meet the definition of Independent Producer.



Farmer or Rancher Cooperatives

A business owned and controlled by agricultural producers that is incorporated, or otherwise identified by the state in which it operates, as a cooperatively operated business.*

*Note that agricultural harvesters do not meet the definition of a farmer or rancher and therefore are not eligible to apply as Farmer or Rancher Cooperatives.





Majority-Controlled Producer-Based Business*

The majority of the financial and voting interest belongs to Independent Producers.

*Only 10 percent of available funds will be awarded to eligible applicants in this category.

All Four Applicant Types *Must* :

- **Currently produce** and own more than 50 percent of the raw commodity that will be used for the Value-Added product.
- Own the product from its raw commodity state through the production of the Value-Added product during the Project (except for MTVC).



United States Department of Agriculture

Project Eligibility

Does the proposed value-added product fit into one of the five product methodologies?

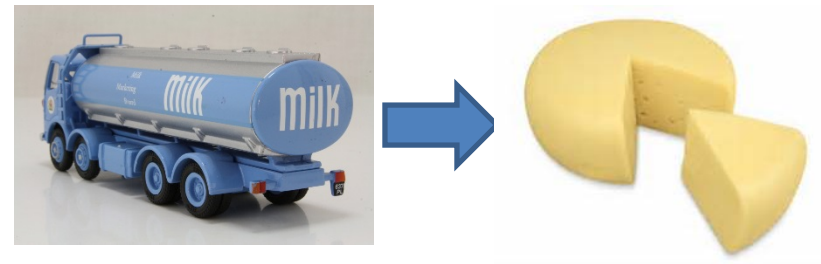
- Change in physical state
- Produced in a manner that increases the value of the commodity
- Physical segregation
- Is a source of farm-based renewable energy
- Locally-produced and marketed agricultural food product

Change in Physical State

An irreversible processing activity that alters the raw agricultural commodity and enhances its value and is something other than a post-harvest process that primarily acts to preserve the commodity for later sale.

Examples include, but are not limited to-

- milk into cheese
- wheat into flour
- wool into clothing or rugs
- corn into E-85 ethanol
- livestock into packaged meat



Produced in a manner that enhances the value of the agricultural commodity

- The value-added product results from the use of a recognizably coherent set of agricultural production practices in the growing of the raw agricultural commodity, such that a differentiated market identity is created for the resulting product.
- Nonstandard production method that adds value per unit of production over a standard production method, and demonstrates this by a quantifiable comparison with products produced in the standard manner.

Examples include, but are not limited to-

- organic carrots,
- eggs produced from free-range chickens.



Physical Segregation



Value-added product results from physically separating (i.e. distance or structure) the agricultural commodity from other varieties of the same commodity on the same farm during production and harvesting, with continued separation during the processing and marketing of the value-added product.

Example: GMO corn separated from non-GMO corn on the farm during production and harvesting, with continued separation through marketing.

Farm- or Ranch-Based Renewable Energy

An agricultural commodity that is used to generate renewable energy on a farm or ranch owned or leased by the independent producer applicant that produces the agricultural commodity.

Examples include, but are not limited to-

- dairy manure into methane and electricity generated on the farm
- corn into biodiesel generated on the farm.

Generation of energy from wind, solar, geothermal or hydro sources are not eligible.



Locally-Produced Agricultural Food Product



Any agricultural food product that is marketed and distributed within 400 miles of the product's origin or within the State in which the product is produced.

Examples include, but are not limited to-

- specific local grapes with characteristics attributable to the growing area sold to a winery that will produce a local wine;
- local sweet corn advertised and sold at a premium as a fresher locally-produced alternative to non-local produce.

All applicants must demonstrate that the project will result in:

- Expanded customer base
- Increased revenue derived returned to the producer of the raw commodity.



What about matching funds?



- Equal to at least the grant amount (at least 50 percent of total project costs).
- Spent only on eligible expenses;
- Spent in advance of grant funding (for every dollar of grant funds disbursed, not less than an equal amount of matching funds will have been expended prior to submitting the request for reimbursement);
- From eligible sources without a real or apparent conflict of interest
- Must be verified at application and confirmed at award

Matching Funds



- Applicant cash, loan, or line of credit; and/or
- Applicant or family member in-kind contributions including fairly valued time spent on the project (applicant provided services limited to 25 percent of total project costs); and/or
- Third-party cash or
- Third-party in-kind contributions



Examples of Eligible Uses of Funds

Planning Grants

- Pay for a Qualified Consultant to conduct and develop a Feasibility Study, Business Plan, and/or Marketing Plan associated with the processing and/or marketing of a Value-added Agricultural Product.



Examples of Eligible Uses of Funds Working Capital

- Pay costs of processing the raw commodity into the value-added product.
- Product packaging & labeling
- Ingredients
- Promotional materials
- Advertising



Examples of **Ineligible** Uses of Funds

- Expenses related to agricultural production
- Planning, building, or repairing facilities
- Use of grant funds to pay self or associated parties for subject raw commodity.
- Ineligible equipment expenses

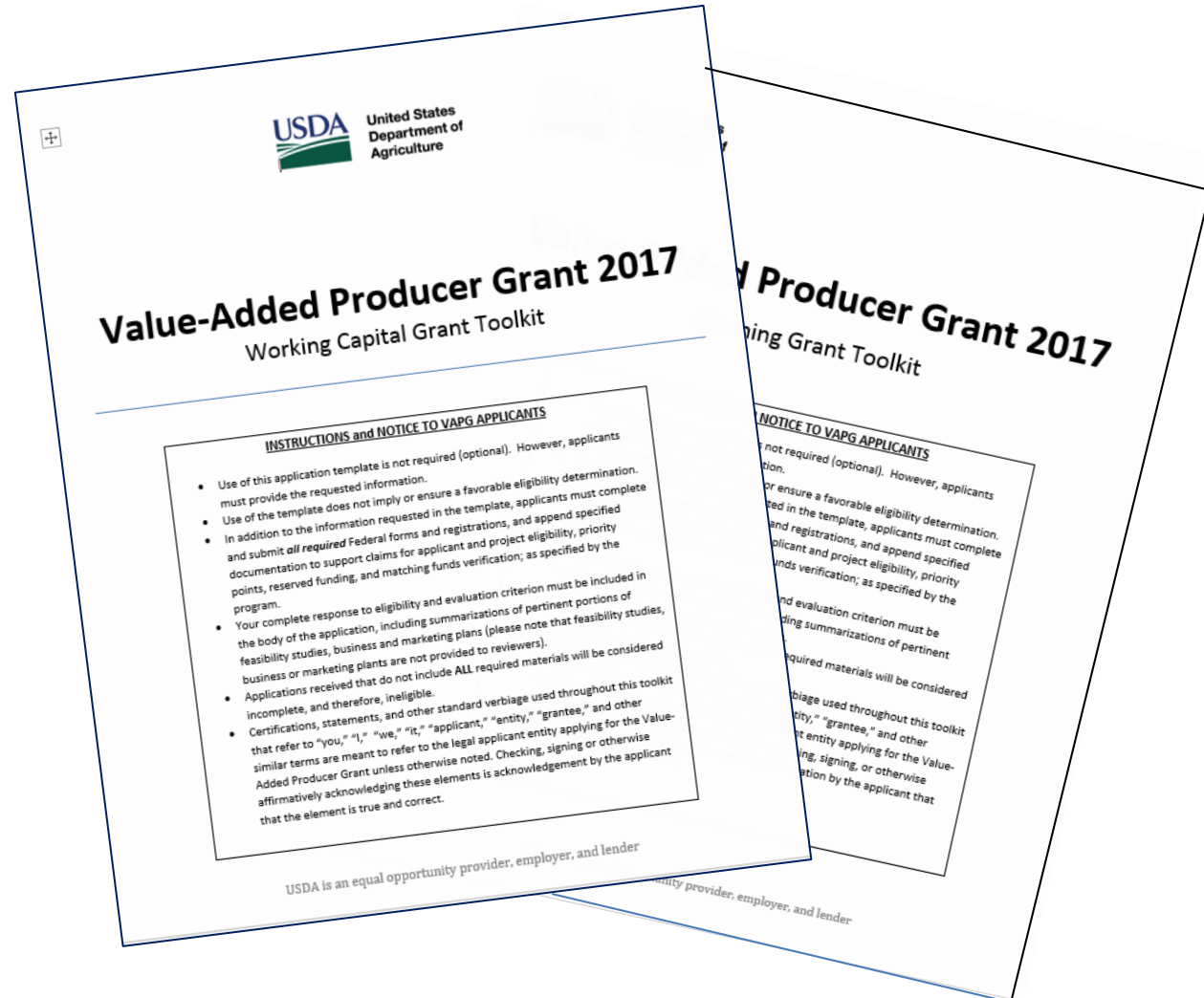


Application Requirements

- Application forms listed in the NOFA
- DUNS and SAM registrations
- Application Content
 - Eligibility Discussion, including required documentation
 - Evaluation Criteria
 - Scoring Criteria
 - Performance Evaluation Criteria as described in the application package
 - Certification & Verification of Matching Funds
 - Documentation for Working Capital proposals, as applicable: feasibility studies, business or marketing plans

Tools for applicants

Comprehensive Toolkits for Planning and Working Capital





Critical Resources

Applicants must become familiar with and utilize these resources in order to submit a successful application:

- **Program regulation 7 CFR 4284 – J**
- **Federal Register Notice of Solicitation (NOSA)**
- **Application toolkit and template available at RD State Offices**
- **Available at VAPG webpage:**
<http://www.rd.usda.gov/programs-services/value-added-producer-grants>
- **USDA RD State Offices @ <http://www.rd.usda.gov/contact-us/state-offices>**



Questions & Assistance

USDA RD State Offices

<http://www.rd.usda.gov/contact-us/state-offices>

USDA RD email

RA.dcwashing3.cpgrants.usda.gov

cpgrants@wdc.usda.gov

VAPG Web page

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



Value Added Producer Grant

What does this program do?

The Value Added Producer Grant program helps agricultural producers enter into value-added activities related to the processing and/or marketing of bio-based, value-added products. Generating new products, creating and expanding marketing opportunities, and increasing producer income are the goals of this program.

Who may apply for this program?

Independent producers, agricultural producer groups, farmer- or rancher-cooperatives, and majority-controlled producer-based business ventures are eligible to apply for this program.

How may funds be used?

Grant and matching funds can be used for planning activities or for working capital expenses related to producing and marketing a value-added agricultural product. Examples of planning activities include conducting feasibility studies and developing business plans for processing and marketing the proposed value-added product. Examples of working capital expenses include:

- Processing costs
- Marketing and advertising expenses
- Some inventory and salary expenses

How do I get started?

You need to read the **Federal Register notice** for the details on what is needed for an application. Make sure you start putting together the required information at least a month before the application deadline because you may need to provide letters of commitment or support from other organizations, a work plan and budget, and other information that will take you some time to look up or write. You may also need to fill out required forms. You can get copies of those forms from your nearest Rural Development Office.

Who can answer questions?

If you have questions, you can contact your nearest **Rural Development Office**.

Will I need to send any reports if I receive a grant?

If you receive a grant, you will need to send regular financial and performance reports. Your grant agreement will tell you how often you need to send the reports, what forms you need to use, and what information you need to put in the reports.

Where can I get more information?

In addition to many Federal regulations, the VAPG program has a regulation that is just for this program. It contains details about the program's purpose, what you can and can't do with grant money, application requirements, and information about how applications will be selected for funding. Remember that you need to read the Federal Register notice to get all the details about how to apply, but the program regulation also has useful information that you will need before applying for a grant.



Business & Industry Guaranteed Loan Program

What does this program do?

This program bolsters the availability of private credit by guaranteeing loans for rural businesses.

Who may apply for this program?

Lenders with the legal authority, sufficient experience and financial strength to operate a successful lending program. This includes:

- Federal or state-chartered banks
- Savings and loans
- Farm credit banks
- Credit unions

What kind of businesses qualify for loan guarantees?

- For-profit businesses
- Nonprofits
- Cooperatives
- Federally-recognized Tribes
- Public bodies
- Individuals

What is an eligible area?

- Any area other than a city or town with a population of greater than 50,000 inhabitants and the urbanized area of that city or town
- The borrower's headquarters may be based within a larger city as long as the project is located in an eligible rural area
- The lender may be located anywhere
- Projects may be funded in rural and urban areas under the Local and Regional Food System Initiative

Check eligible addresses for Business Programs

How may funds be used?

Eligible uses include but are not limited to:

- Business conversion, enlargement, repair, modernization or development
- Purchase and development of land, easements, rights-of-way, buildings, or facilities
- Purchase of equipment, leasehold improvements, machinery, supplies, or inventory
- Debt refinancing when refinancing improves cash flow and creates or saves jobs
- Business and industrial acquisitions when the loan will create or save jobs

Guaranteed loan funds MAY NOT be used for:

- Lines of credit
- Owner-occupied housing
- Golf courses
- Racetracks or gambling facilities
- Churches, church-controlled organizations or charitable organizations
- Fraternal organizations
- Agricultural production, with certain exceptions

What collateral is required?

Collateral must have documented value sufficient to protect the interest of the lender and the Agency. The discounted collateral value will normally be at least equal to the loan amount. Lenders will discount collateral consistent with sound loan-to-value policy. Hazard insurance is required on collateral (equal to the loan amount or depreciated replacement value, whichever is less).

Maximum Advance Rates

- Real Estate: 80% of fair market value
- Equipment: 70% of fair market value
- Inventory: 60% of book value (raw inventory and finished goods only)
- Accounts Receivable: 60% of book value (less than 90 days)

Business & Industry Guaranteed Loan Program

What is the maximum amount of a loan guarantee?

- 80% for loans of \$5 million or less
- 70% for loans between \$5 and \$10 million
- 60% for loans exceeding \$10 million, up to \$25 million maximum

What are the loan terms?

- Maximum term on machinery and equipment is its useful life or 15 years, whichever is less
- Maximum term for real estate is 30 years
- Maximum term on working capital not to exceed 7 years
- Loans must be fully amortized; balloon payments are not permitted
- Interest-only payments may be scheduled in the first 3 years

What are the interest rates?

- Interest rates are negotiated between the lender and borrower, subject to Agency review
- Rates may be fixed or variable
- Variable interest rates may not be adjusted more often than quarterly

What are the applicable fees?

- There is an initial guarantee fee that is paid at the time the Loan Note Guarantee is issued
- There is an annual renewal fee on the outstanding balance of the guaranteed portion of the loan that is set by Rural Development at a rate published annually in the Federal Register
- Reasonable and customary fees are negotiated between the borrower and lender

What are the underwriting and security requirements?

- The proposed operation must have realistic repayment ability

- New enterprises will be asked to obtain a feasibility study by a recognized independent consultant
- The business and its owners must have a good credit history
- At loan closing/project completion, the business must have a tangible balance sheet equity position of:
 - 10% or more for existing businesses, or
 - 20% or more for new businesses.
- Personal and corporate guarantees are normally required from all proprietors, partners (except limited partners), and major shareholders (i.e., all those with a 20% or greater interest)

How do we get started?

- Applications are accepted from lenders through **USDA local offices** year round
- Interested borrowers should inquire about the program with their lender
- Lenders interested in participating in this program should contact the USDA Rural Development Business Programs Director in the **state** where the project is located

Who can answer questions?

Contact our **local office** that serves your area.

What governs this program?

- **Loan Processing:** Code of Federal Regulation, **7 CFR 4279-A&B**
- **Loan Servicing:** Code of Federal Regulation, **7 CFR 4287-B**
- This program is authorized by the Consolidated Farm and Rural Development Act

NOTE: Because citations and other information may be subject to change please always consult the program instructions listed in the section above titled "What Governs this Program?" You may also contact **your local office** for assistance. You will find additional forms, resources, and program information at www.rd.usda.gov. *USDA is an equal opportunity provider, employer, and lender.*

2018 Farm Bill Update

I will cover updates that small farmers should know about in the 2018 Farm Bill.

Brandon Willis

Assistant Professor

Utah State University

brandon.willis@usu.edu

I teach Ag policy at Utah State University.

Whole Farm Revenue Protection

Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to \$8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets. We will cover what kind of farms benefit from it, what does it cover, features of the program, important dates, qualifying criteria, how does it work and cost, and do you purchase it.

Robert Smith

Senior Risk Management Specialist
USDA Risk Management Agency
robert.smith5@rma.usda.gov

Robert Smith is a Senior Risk Management Specialist with the Davis Regional Office in Davis California. The Davis Regional Office manages the crop insurance programs in Arizona, California, Hawaii, Nevada, and Utah. He has been with the USDA Risk Management Agency for 40 years serving in many functions of the agency. He received a National Recognition Award for his work in the Pasture, Rangeland, and Forage program. Robert is the senior subject matter expert for Whole Farm Revenue Protection. Shortly after being honorably discharged from the Marine Corps, he attended Cal Poly, San Luis Obispo graduating with a B.S. in Soil Science. He and his wife currently run a small business caring for the elderly in their home.

Whole Farm Revenue Protection

Presented by

Robert A Smith

Senior Risk Management Specialist

USDA - Risk Management Agency

Davis Regional Office



This presentation highlights features of the WFRP and is not intended to be comprehensive. The information presented neither modifies or replaces terms and conditions of the WFRP policy and the county actuarial documents.

USDA - Risk Management Agency

- ▶ Davis Regional Office (serving Arizona, California, Hawaii, Nevada and Utah)
- ▶ Provide:
 - ▶ Agricultural producers with the educational opportunities to achieve financial stability through effective risk management tools.
- ▶ Educational opportunities to help producers choose appropriate risk management tools.

What kind of farms benefit from Whole Farm?

- ▶ Highly diverse farms
- ▶ Farms with specialty commodities
- ▶ Farms selling to:
 - ▶ Direct markets
 - ▶ Specialty markets
 - ▶ Regional or local markets
 - ▶ Farm-identity preserved markets



What does Whole Farm cover?

- ▶ Organic growers can insure their organically grown (insurable) crops.
- ▶ Revenue from all commodities produced on the farm:
 - ▶ Including animals and animal products
 - ▶ Commodities purchased for resale (up to 50% of total)
 - ▶ **Excludes** timber, forest, forest products and animals for sport, show or pets.

What does Whole Farm cover?

- ▶ Covers revenue ‘produced’ in the insurance year.
 - ▶ A commodity grown last year and sold this year will not be covered.
- ▶ Prices used to value commodities to be grown must meet the expected value guidelines in the policy.



What does Whole Farm cover?

- ▶ For commodities that grow each year, like cattle, only the growth for the insurance year counts.
 - ▶ Example: Calves worth \$800 at beginning of the year and to be sold at \$2,000, the value insured will be \$1,200.



What does Whole Farm cover?

- ▶ Replant costs (with approval).
- ▶ Loss of revenue during the insurance year due to:
 - ▶ Natural causes of loss that cause a decline in the market price during the insurance period.
 - ▶ When revenue-to-count for the insurance year is lower than insured revenue, a loss payment may be made.
 - ▶ Taxes must be filed for the insurance year before any claim can be made (2019 insurance year requires 2019 year farm taxes to be filed).

What does Whole Farm cover?

- ▶ Natural causes of loss:
 - ▶ Adverse weather conditions
 - ▶ Insects, but not damage due to insufficient or improper application of pest control measures.
 - ▶ Plant disease, but not damage due to insufficient or improper application of disease control measures.
 - ▶ Earthquake and volcanic eruption.
 - ▶ Failure of irrigation water supply, if caused by an insured peril that occurs during the insurance period.
 - ▶ Wildlife, unless control measures have not been taken.

What are the features of WFRP?

- ▶ All farm revenue is insured together under one policy.
 - ▶ Individual commodity losses are not considered, it is the overall farm revenue that determines losses.
- ▶ Premium subsidy is available and depends on farm diversification

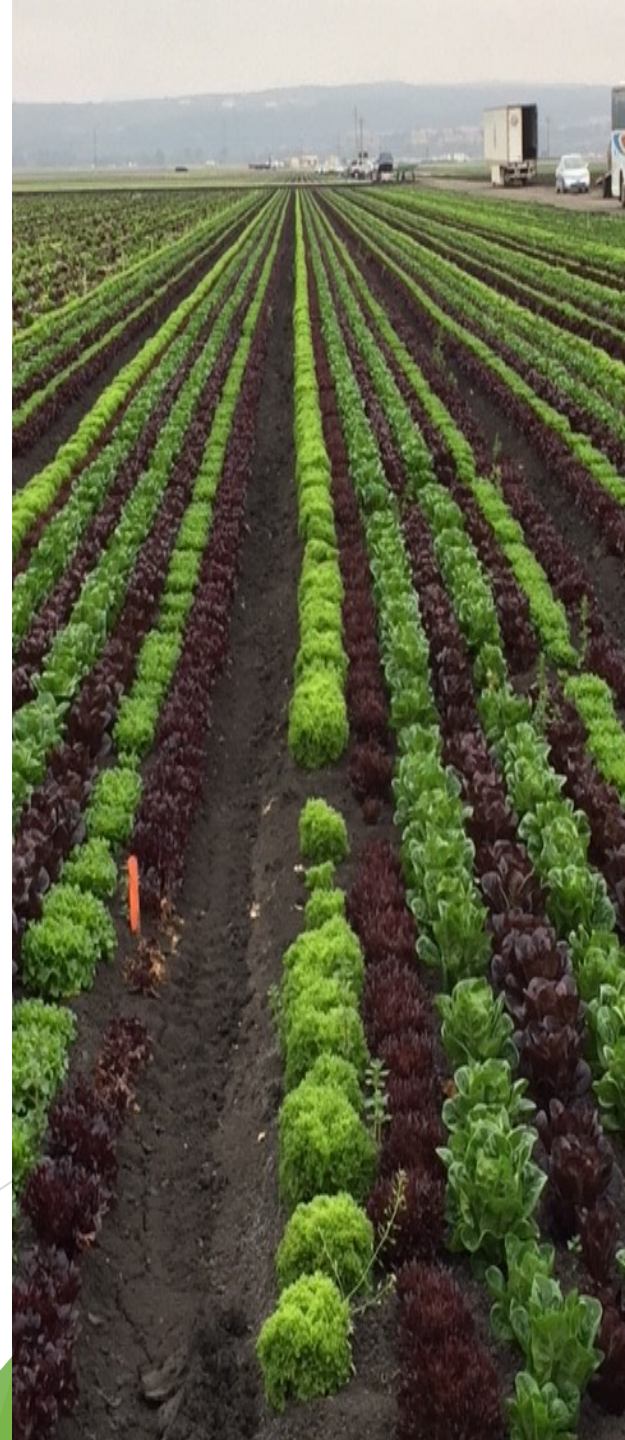


What are the features of WFRP?

- ▶ Coverage levels 50-85%
- ▶ 5% increments
- ▶ Eligibility for the 80% and 85% coverage level requires 3 commodities (commodity count)

Important Dates

- ▶ **Must purchase** by Sales Closing Date of:
 - ▶ AZ and CA: February 28
 - ▶ NV and UT: March 15
 - ▶ Late fiscal year filers (all counties) - Nov 20
- ▶ And, at the same time, provide your completed **Intended Farm Operation Report** for your farming entity.
- ▶ For all insureds:
 - ▶ Revised Farm Operation Report Due: July 15
 - ▶ Billing date: August 15



Qualifying Criteria

- ▶ Be a U.S. citizen or resident;
- ▶ Be eligible to receive federal benefits;
- ▶ File a Schedule F or Substitute Schedule F tax form covering **100 percent of the farm operation**;
- ▶ The entity must have tax returns for each year (5 consecutive years) of the revenue and expense history and farm operation as the insured person for the insurance year (check policy for exceptions);

Qualifying Criteria

- ▶ Controlled substances are not insurable under WFRP.
- ▶ Your farm operation **will not be eligible for WFRP** if you **produce** any controlled substance, regardless of the legal status of the substance in the state where the commodity will be produced.

Insurance Eligibility

- ▶ Coverage is available up to \$8.5 million for all commodities produced on the farm all under one policy
- ▶ Producers with up to \$1 million expected revenue from *animals and animal products* may qualify
- ▶ Producers with up to \$1 million expected revenue from *nursery and greenhouse* may qualify



Insurance Eligibility

- ▶ Potato farms must have 2 commodities
- ▶ Commodities insurable with other revenue coverage must have 2 commodities
- ▶ Derive not more than 50 percent of expected revenue from commodities purchased for resale
- ▶ Elected CAT coverage for Another policy



Program Enhancements

- ▶ USDA-qualified ***Beginning Farmers and Ranchers (BFR)*** may qualify with 3 historic years of taxes if they have been farming also the previous year.
 - ▶ For 2019 - requires taxes to have been file in 2015, 2016, 2017 and for the producer to have been farming in 2018.
 - ▶ Qualifying BFR's receive an extra 10% premium subsidy



How Whole Farm Revenue Protection Works

Determine Whole Farm Historic Average Revenue

Determine 2019 Expected Crop Revenue

Determine Approved Revenue

Decide what percentage of Approved Revenue to guarantee

Actual 2019 Insured Revenue Determined

Taxes Filed / Possible Claim

Loss Paid

At 75% Coverage Level:

\$ 101,225	Approved Revenue
<u>x 75%</u>	Coverage level (deductible)
75,919	Insured Revenue (Asset protection)
- <u>48,040</u>	2016 Revenue to Count for insurance year
\$ 27,879	Revenue Loss (Indemnity payment)

Total Premium Cost: \$6,529

USDA Pays 80% Subsidy: \$5,223

Producer Final Premium Cost: \$1,306

How do producers buy WFRP protection?



Purchase through a Crop Insurance Agent:
The agent locator tool on RMA's website:
<http://www.rma.usda.gov/tools/agent.html>

Crop Insurance

For American Farmers and Ranchers



Manage Your Farm Risk

Resources for farmers and ranchers.

Get Connected >



Insurance Resources

Policies, provisions, handbooks and more.

Find Resources >



Education and Training

Partner with RMA.
Find training opportunities.

Learn More >



Beginning Farmers

Resources and tools for those just starting out.

Get Started >

Critical Dairy Insurance Policy



Highlighted Initiatives

-  Prevented Planting
-  Whole-Farm Revenue Protection
-  Cover Crops

Latest News

- Dec 14** Dry Pea Revenue Insurance Now Available in South Dakota
- Dec 13** RMA Announces a New Coverage Option for Crop Insurance
- Nov** Crop Insurance for Sugar Beets Sees Improvements, Flexibility

For more information on:

Find a crop/livestock agent

Cost Estimator - Premium Calculations

Program - Policies

Log on to: www.rma.usda.gov

Questions???