Agricultural Economics
University of Missouri College of Agriculture, Food & Natural Resources

USDA Producer Value Added Grant Program: A Reviewers Perspective

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With Passage of the 2002 Farm Bill a governmental funded producer value added grant program was established and administered by the Rural Development arm of USDA. Program specifications call for annual funding of up to $40 million. The first call for proposals went out in July 2002. The grant proposal process is fairly rigorous. Applicants must choose one of two categories, planning or operating. The applicant must then meticulously describe why funds are needed and what opportunity, or competitive advantage, will be achieved should the proposal be funded. Last, the applicant must show producer, community, and state or regional support for this project.

The scoring process is based on seven criteria. These criteria for the planning grant are nature of proposed venture, qualifications of those doing the studies, project leadership, commitment, work/plan budget, amount requested, and project costs per producer that are owners for planning grants. The criteria for the operational grant are business viability, consumer base / increased returns, commitment, management team/work force, work plan/budget, amount requested, and project cost per producer that is an owner, for operating grants. Proposals focusing on renewable fuels receive bonus points because they meet a legislative priority area.

I had the good fortune to serve as a grant reviewer for the initial round of proposal assignments. I would like to share with you my experiences, thoughts, and perceptions of the creation of a well-focused and effective producer value added grant proposal.

First, let me briefly explain what happens to proposals from submission until you receive a response to your proposal. First, a representative from your state Rural Development Office reviews your proposal to make sure proposal guidelines are met. If the proposal meets all the guidelines the proposal is forwarded to the federal Rural Development Office.

To ensure unbiased, confidential, reviews, a third party vendor has been contracted to coordinate the review process. While all proposals are kept at the federal USDA office, the vendor contacts reviewers, trains reviewers on the review process, and facilitates communications between reviewers and USDA. Reviewers review all proposals in confidentiality. Reviewers score, and make comments, consistent with the stated ranking criteria in the request for proposals. Reviews are completed in a three-week time period.

Now, I will reflect on my observations during the review process. I want to describe to you a proposal that has an extremely high probability of success. My views come from qualities observed across proposals and not from any one particular proposal. I believe six characteristics distinguish a very good proposal. These criteria are; 1) clearly define whether this is a planning or operating proposal; 2) justifiable need; 3) relevant expertise to complete the project; 4) budget and financial description; 5) clearly shows producer investment and per produce cost of proposal; and 6) long-term economic viability of business concept.

1) Clearly define whether the proposal is a planning or operational grant. A planning grant seeks funds to investigate a potential market opportunity for a new or existing business. An operational grant seeks to enhance the operation or expansion of an existing business or product. Grant applicants need to correctly categorize their proposal so that is can be evaluated appropriately as the two categories use different evaluation criteria.

2) Justifiable need

Planning Grant. A strong justifiable need synopsis will provide some pre-feasibility analysis linkages to potential market opportunities. Wherever possible describe fully that you know who your customers are and that they have agreed to use your product or that you have convinced someone that this product is needed. Innovation versus re-creation tends to provide for an advantage in scoring. A good joint-venture proposal will involve a company with a successful track record. Or, it must be explicitly defined as to how the collaborating entity provides a competitive advantage in this industry.

Operational Grant. A strong justifiable need synopsis will provide some prior impact of the business enterprise to be enhanced. Successful proposals will provide market information to date. Wherever possible describe fully that you know who your customers are and that they have agreed to use your product or that you have convinced someone that this product is needed. Also, showing why new resources are needed to meet market growth is essential. For instance, how will hiring an international market manager enhance sales of sunflower seeds? For this example, a good proposal will show that there is an international demand for sunflower seeds beyond the established domestic market.

3) Relevant expertise. It is imperative that an experienced firm or individual is chosen to develop the feasibility plan. Lack of experience reduces credibility, thus lowering the score. Along similar lines, a credible outside source suggests reliability for meeting stated deadlines. Also, a strong proposal will show linkages to existing technical and educational resource providers. Examples of such providers are extension, small business development centers, state departments of agriculture, and local and state economic development offices.

4) Budget and financial description. This is a tricky one. While this information is included with the proposal (as an appendix), it is not requested in the formal text write-up. However, every effort should be made to provide a brief summary of the budget and how monies will be used. This section does not need be longer than one-half page. While not required, this information acts to enhance the computational presentation of the budget.

5) Cost-benefit ratio. This part will clearly indicate producer investment versus expected per-producer grant allocation. This measure gives reviewers a better metric to make comparisons between proposals. A lower cost-benefit ratio is likely to score higher. While not specifically asked for, this metric can give you a leg up on the competition.

6) Long-term economic viability. The most important factor of a proposal is clearly conveying long-term economic viability of the project. It is almost a necessity to show how this project will continue beyond grant funding and producer investment. Without a clear strategy for continuation of the project it is difficult to justify a high score for the proposal. For instance, if the project is found to be feasible, then what are the next steps? A well-written proposal will have a good game plan for actions beyond the granting period. Also, a good proposal will have support letters from stakeholders, opinion leaders, and decision makers. These persons should be familiar with the project. Simply having the mayor write a couple of sentences indicating she supports the project adds no merit or credibility to the long-term community commitment to the project.

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