



COMMONWEALTH of VIRGINIA

Department of Agriculture and Consumer Services

PO Box 1163, Richmond, Virginia 23218

Phone: 804/786-3501 • fax: 804/371-2945 • Hearing Impaired: 800/828-1120

www.vdacs.virginia.gov

November 15, 2016

Sandra J. Adams
Commissioner

The Honorable Thomas K. Norment, Jr.
Co-Chairman
Senate Finance Committee
Senate of Virginia

The Honorable S. Chris Jones
Chairman
House Appropriations Committee
House of Delegates

The Honorable Emmett W. Hanger, Jr.
Co-Chairman
Senate Finance Committee
Senate of Virginia

Dear Messrs. Chairmen:

As required by Item 91 of the 2016 Appropriations Act, enclosed is the report on the establishment of the Virginia Farm Business Development Program.

The Virginia Farm Business Development Program began accepting applications November 1 after hiring staff, conducting industry outreach, and establishing program guidelines. There is great interest in the program statewide, and I am confident it is well-positioned to help farmers and small agribusinesses strengthen the agricultural economy.

Should you have any questions regarding the program, please do not hesitate to contact me, at 804-786-3501.

Sincerely,

A handwritten signature in cursive script that reads "Sandra J. Adams".

Sandra J. Adams
Commissioner

Enclosures

cc: Basil I. Gooden, Secretary of Agriculture and Forestry

Virginia Farm Business Development Program

I. Legislative History

Item 91 of the 2016 Appropriations Act establishes the Virginia Farm Business Development Program and requires the program “provide farmers and small agribusinesses that qualify under guidelines as established by the [Virginia Department of Agriculture and Consumer Services (VDACS)] with grants not to exceed \$5,000 to assist with business planning, market research, and related activities.” The legislation calls on VDACS to establish guidelines that determine grant eligibility, provide education, and administer the program.

Item 91 of the 2016 Appropriations Act also requires VDACS to report to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance by November 15, 2016, on the efforts taken by VDACS to establish the program and the grant guidelines and on the number of grants awarded.

II. Progress Report

A. Staff Leadership

The Virginia Farm Business Development Program Coordinator was hired in August 2016. The selected candidate is a native Virginian who grew up on a cattle operation in Blacksburg and holds a Bachelor’s Degree in Agricultural and Applied Economics from Virginia Tech and a Master’s Degree in Economics from North Carolina State University. The Coordinator previously served as the Manager of Legislative Affairs for the National Cattlemen’s Beef Association and as a Legislative Assistant focusing on agriculture for U.S. Senator John Barrasso (R-WY). The Coordinator has also served as Policy Director for the U.S. Senate Western Caucus and as a Policy Analyst for the Office of North Carolina Governor Pat McCrory.

The Coordinator brings personal and professional experience and academic expertise in agriculture to the Virginia Farm Business Development Program and has worked in industry and government, advocating for agricultural producers’ interests for more than 10 years. The Coordinator has conducted outreach efforts and built productive relationships with industry and stakeholder groups both nationally and locally. The Coordinator’s academic background and experience as a producer herself will help to ensure that the program utilizes business best practices.

B. Stakeholder Outreach

In order to tailor the Virginia Farm Business Development Program grant guidelines to industry needs, staff met with key stakeholders throughout the guideline development process. Program staff met with representatives of the Virginia Farm Bureau Federation, Virginia Agribusiness Council, Virginia Grain Producers Association, Virginia Wine Council, Colonial Farm Credit, Virginia State University (VSU) Small Farm Outreach Program, Virginia Beginning Farmer and

Rancher Coalition, Virginia Cooperative Extension, Virginia Tech Agricultural and Applied Economics Department, Virginia Tech Dairy Science Department, and Virginia Tech Horticulture Department. Experienced staff from other VDACS programs, including Livestock Marketing, Domestic Sales and Market Development, and Office of Promotions, also offered insight.

Discussions revealed that producers from all commodity groups and industry segments are eager to improve profitability and manage market risks. Current market conditions in agriculture are pressuring producers to innovate. Crop prices are relatively low at the same time that milk and livestock prices are also depressed. Meanwhile, consumers want greater certainty in the quality and safety of their products. Stakeholders reported that farms and small agribusinesses are eager to respond to these market trends but the greatest hurdle is in taking the risk of new investment without the certainty of greater profits. Stakeholders indicated that the Virginia Farm Business Development Program can help farmers obtain expert analysis of potential new agricultural opportunities and investments. Grants can be used to strengthen business practices and risk management for ongoing business functions.

This consensus led to the establishment of grant guidelines aimed at helping existing farmers and small agribusinesses plan and develop for the future. The Virginia Farm Business Development Program can help farmers develop new product lines and plan for expansion into new ventures. Grants can incentivize better risk management and succession planning for future generations.

C. Grant Guidelines

Enclosed is a copy of the current grant guidelines established for the Virginia Farm Business Development Program. Any farm business directly engaged in agricultural or forestry production is eligible for the grant. Small agribusinesses, those with 20 or fewer employees, processing agricultural or forestry products are also eligible for the grant.

Grantees can be reimbursed for an array of business planning activities, including financial analysis, succession planning, market research, preparing for food safety or humane handling certification, website design, marketing materials and branding, recipe development, and product label design. Operating expenses are excluded from reimbursement by the grant, as the intent is to encourage business planning and research as opposed to subsidizing equipment or operating costs. Exclusions include equipment, labor, tax preparation, loan repayment, insurance premiums, membership fees, travel and related expenses, advertising fees, promotional events, and final certification audits.

Grants are awarded quarterly on a first-come-first-served basis, until all available grant funds are committed.

An applicant will be notified of the results of VDACS' application review in writing. A successful applicant will receive an award letter detailing the business development activities

that qualify for reimbursement specific to the applicant's grant award. The letter serves as a commitment for reimbursement and applies to qualified activities undertaken within 12 months.

Multiple grants can be awarded to the same business entity only if the grants are for different purposes and are separated by two or more fiscal years.

D. Educational Efforts

The Virginia Farm Business Development Program has also initiated educational efforts. Staff has presented to the Dairy Science Department at Virginia Tech. Staff also delivered a presentation to all employees of the VSU Small Farm Outreach Program on the forthcoming grant program and how Virginia Cooperative Extension staff members can help to prepare farmers for business planning and market research. Additional education efforts are planned with the Beginner Farmer and Rancher Coalition, VSU's Small Farm Outreach Program, Floyd County Economic Development, Virginia Tech Agriculture Finance students, Virginia Tech Fresh Produce Food Safety Team, VDACS Livestock Marketing, and Colonial Farm Credit.

III. Program Management

The grant application is available online at <http://vdacs.virginia.gov/agribusiness>. Applicants are questioned on their eligibility for the program and their plans for using these grant funds to develop their business. The application form is intended to be a streamlined process that leads to an in-depth consultation with Virginia Farm Business Development Program staff.

As applications are received, staff responds by arranging a consultation with each applicant, preferably at his or her place of business. During the consultation, staff will assess the level of preparation of that business to ensure that the applicant has taken advantage of available free resources before receiving state funds. Staff will use a standardized checklist, included in the grant guidelines, that was developed through discussion with agricultural economic experts from Virginia Tech. The consultation process will produce a staff recommendation as to the applicant's readiness to undertake business development activities.

The Virginia Farm Business Development Program awarding committee will meet quarterly to review applications and staff recommendations and to decide which applicants are best positioned to utilize grant funds. Once a decision is made, an award letter will be sent to the applicant detailing covered expenses and reimbursement procedures. Staff will remain available to answer questions and facilitate business development, as necessary.

In order to measure the program's success, staff will survey participants one year after the final reimbursement has been received by participants. Grant guidelines will be revisited at each biennium, or sooner, to ensure that program funds are targeted to maximize taxpayers' investment and the effectiveness of the program.

Virginia Farm Business Development Grant Program Guidelines

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Mission

The Virginia Farm Business Development Grant Program incentivizes business development by Virginia farms and small agribusinesses with grant awards up to \$5,000. Grants are awarded to reimburse expenses associated with business planning, market research and other related activities.

Application

Applications are made to the Virginia Department of Agriculture and Consumer Services (VDACS) using the form found in Appendix A. The application should explain how a farmer or agribusiness will utilize specific business development activities to manage economic risk, diversify income sources, and/or enhance agribusiness activities.

Review

Applications are accepted on a continuous basis. Applications will be refused after all grant funds have been committed within a fiscal year (beginning July 1 and ending June 30 of the following year).

When an application is received by VDACS, staff will contact the applicant to setup a consultation. Staff consult with the applicant using the Business Development Outline found in Appendix B. The consultation provides business development information to the applicant, including suggestions on business best practices and referral to services available free of charge. The consultation also provides VDACS information on the applicant's previous business development, ensuring that review of each application includes consideration of the applicant's readiness for investment of grant funds. Staff may also consult with an applicant's technical advisors, suppliers, business partners or others in furtherance of the grant application review.

Grant Awards

Grants are awarded quarterly on a first-come-first-served basis to eligible applicants sufficiently prepared to benefit from investment in business development. Once all appropriated funds in a fiscal year have been committed, grants will no longer be awarded.

An applicant will be notified of the results of VDACS application review in writing. A successful applicant will receive an award letter detailing the business development activities that qualify for reimbursement specific to the applicant's grant award. The letter serves as a commitment for reimbursement and applies to qualified activities undertaken within twelve months.

Multiple grants can be awarded to the same business entity only if the grants are for different purposes and are separated by two or more fiscal years.

Payment Procedures

Upon receipt of a grant award letter, the grantee may undertake qualified business development activities. Activities performed prior to the date of a grantee's award letter do not qualify for

reimbursement. The grantee must submit proof of payment to VDACS to receive grant funds. Grants funds are paid to the grantee as a single reimbursement.

Eligible Applicants: Farmers and small agribusinesses

Farmers and small agribusinesses eligible to apply must be

- A. engaged in agricultural and/or forestal production; or
- B. producing any agricultural or forestal product that
 - i. undergoes a change in physical state,
 - ii. is physically segregated in a manner that results in the enhancement of the value of the agricultural or forestal product,
 - iii. is a source of renewable energy, or
 - iv. is aggregated and marketed as a locally produced agricultural or forestal product.

Existing Business Definition

The applicant’s business entity must have been in business within the Commonwealth of Virginia for three or more consecutive years. VDACS will confirm this qualification based on the date a business entity was registered with the Virginia State Corporation Commission.

Small Agribusiness Definition

Agribusinesses (as described above in part B) are eligible to apply if the business directly employs the equivalent of 20 or fewer full-time employees.

All farm businesses (as described above in part A) are eligible to apply.

Eligible Activities: Business Development

Qualified Activities

Grants can be awarded for the purpose of business planning, market research, and other related activities, including, but not limited to,

- i. business plans,
- ii. business restructuring,
- iii. succession planning, including land contracts, incorporation, and disaster planning,
- iv. feasibility studies,
- v. demand assessments,
- vi. marketing plans,
- vii. market channel coordination,
- viii. website design,
- ix. branding and marketing materials,
- x. assessment and preparation for marketing certification or audit of the business,
- xi. assessment and preparation for food safety certification or audit of the business,
- xii. assessment and preparation for animal welfare certification or audit of the business,
- xiii. product label development and design, and

- xiv. development of and preparation for recipe certification.

Excluded Activities

Grants cannot be made for the purpose of farm or agribusiness operations, such as

1. equipment,
- ii. facilities,
- iii. education, except in preparation for certification of the business,
- iv. tax preparation,
- v. loan repayment or finance charges,
- vi. insurance payments,
- vii. membership dues and fees,
- viii. travel and expenses,
- ix. promotional events, or
- x. advertising fees.

Grants cannot be awarded for costs or fees associated with final audits or certifications.

Grants cannot be awarded for actions in response to a finding of non-compliance by a regulatory body.

Program Management

Virginia Farm Business Development Grant Program will communicate with past grantees to gauge the efficacy of the program. Program guidelines shall be continuously evaluated by VDACS staff and revised every two years or sooner. All guidelines are subject to the discretion of the Commissioner of the Virginia Department of Agriculture and Consumer Services.

Appendix A - Grant Application

Applicant Name:	
Business Entity Name:	
Applicant's Role in the Business:	
Address:	
Phone:	
Email:	
Website:	

If you operate a farm business engaged in agricultural or forestry production, please fill-in the sections below.

Farm Business	
Commodities Produced: (e.g. cattle and calves, corn and soybeans)	
Production methods: (e.g. cow-calf operation, row crop production)	
How do you currently sell your products? (e.g. feeder calf sales, contract to elevator)	
Has the business operated for <u>three or more</u> years in the Commonwealth of Virginia?	<input type="checkbox"/> Yes <i>*Eligibility requirement.</i>

If you operate an agribusiness that processes or adds value to agricultural or forest products, please fill-in the sections below.

Agribusiness	
Products Produced: (e.g. packaged beef, wood pellets)	
Agricultural or forest raw materials: (e.g. fat steers, pulp wood)	
How do you currently sell your products? (e.g. direct to consumers at farmers market, wholesale to export distributor)	
Has the business operated for <u>three or more</u> years in the Commonwealth of Virginia?	<input type="checkbox"/> Yes <i>*Eligibility requirement.</i>
Does the business have <u>twenty or fewer</u> full-time equivalent employees?	<input type="checkbox"/> Yes <i>*Eligibility requirement for value-added agribusinesses only.</i>

I certify that I am an eligible grantee in accordance with the Virginia Farm Business Development Program Guidelines established by the Virginia Department of Agriculture and Consumer Services.

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Grant Proposal

<p>1 <u>What business development activities would you like to undertake?</u></p>	<p>2 <u>What is the business purpose for grant activities?</u></p>
<ul style="list-style-type: none"> <input type="checkbox"/> Business plan <input type="checkbox"/> Business restructuring <input type="checkbox"/> Succession planning <input type="checkbox"/> Feasibility study <input type="checkbox"/> Demand assessment <input type="checkbox"/> Marketing plan <input type="checkbox"/> Market channel coordination <input type="checkbox"/> Website design <input type="checkbox"/> Branding and marketing materials <input type="checkbox"/> Preparation for marketing certification or audit <input type="checkbox"/> Preparation for food safety certification or audit <input type="checkbox"/> Preparation for conservation certification or audit <input type="checkbox"/> Preparation for animal welfare certification or audit <input type="checkbox"/> Product label development and design <input type="checkbox"/> Recipe development and certification <input type="checkbox"/> Other: 	<ul style="list-style-type: none"> <input type="checkbox"/> Risk management <input type="checkbox"/> Diversification <input type="checkbox"/> Growth <p>Please explain:</p>
<p>3 <u>Why is the activity advantageous at this time?</u></p>	
<p>4 <u>What is your 1-year business goal?</u></p>	
<p>5 <u>What is your 5-year business goal?</u></p>	
<p>6 <u>Are you currently working with a technical advisor?</u> (e.g. Extension agent, lawyer, SBDC, VSU Small Farm Outreach, etc.)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> No <input type="checkbox"/> Yes <p>Please explain the purpose of that work:</p>

Appendix B - Business Development Outline

Once you've submitted an application, Virginia Farm Business Development Program staff will contact you to set up a consultation. We will talk about your existing business and your plans for the future. Staff will ask how you've prepared for business growth, and how the grant can help you further.

The outline below will serve as a guide for the consultation. Please be prepared to discuss the following during your consultation with staff:

- Business Legal Structure
- Business Strategy
- Business Records, including:
 - Income Statement, Balance Sheet, Cash Flow
 - Production History & Projections
- Marketing Plan, including:
 - Pricing Strategy
- Insurance
- Succession Plan
- Production or Marketing Certifications
- Continuing Education and Technical Assistance