



SUSTAINABLE AGRICULTURE COALITION

110 Maryland Avenue N.E. Phone 202.547.5754
Washington, D.C. 20002 Fax 202.547.1837
www.msawg.org

Comments on the Value-Added Producer Grants Program

August 12, 2003

Branch Chief
Regulations and Paperwork Management Branch
Rural Development, USDA
300 7th St. SW, 3rd Floor, Room 701
Washington, DC 20024

RE: Proposed Rulemaking for the Value-Added Producer Grants program and Agriculture Innovation Centers (Fed. Reg. Vol. 68, No. 114, pages 35321-34334)

Dear Chief:

This letter contains the comments and recommendations of the Sustainable Agriculture Coalition (SAC) in response to the Proposed Rules for the Value Added Producer Grants and Agriculture Innovation Centers, published in the Federal Register on June 13, 2003 (Fed. Reg. Vol. 68, No. 114, pages 35321-35334).

The Sustainable Agriculture Coalition (SAC) is an association of non-profit farm, food, environmental, and rural organizations that together advocate for public policies in support of the long-term sustainability of agriculture, natural resources and rural communities.

Member groups include the Agriculture and Land Based Training Institute, C.A.S.A. del Llano (Communities Assuring a Sustainable Agriculture), Center for Rural Affairs, Dakota Rural Action, Delta Land and Community, Inc., Future Harvest/CASA (Chesapeake Alliance for Sustainable Agriculture), Illinois Stewardship Alliance, Innovative Farmers of Ohio, Institute for Agriculture and Trade Policy, Iowa Environmental Council, Iowa Natural Heritage Foundation, Kansas Rural Center, Kerr Center for Sustainable Agriculture, Land Stewardship Project, Michael Fields Agricultural Institute, Michigan Agricultural Stewardship Association, Midwest Organic and Sustainable Education Service (MOSES), The Minnesota Project, National Catholic Rural Life Conference, National Center for Appropriate Technology, Northern Plains Sustainable Agriculture Society, Ohio Ecological Food and Farm Association, Organic Farming Research Foundation, and Sierra Club Agriculture Committee.

Thank you for the opportunity to comment and for carefully considering our views. Please do not hesitate to contact us if you have any questions about our comments or if we can assist you in any other way.

Sincerely,
Ann Wright
Senior Policy Associate
Sustainable Agriculture Coalition

Introductory Comments

The Value-Added Producer Grant program was re-authorized in the 2002 farm bill to receive \$40 million annually in direct payments through 2007. Total spending for the program is \$240 million over six years, which is 28% of total direct farm bill spending on rural development programs and a fraction of the \$73.5 billion in new spending authorized in the farm bill. Notwithstanding the program's relatively small stature in the world of farm bill funding, it has the potential to play a very significant role in strengthening rural economies.

In our view, there are two program objectives, or broader standards that this program must meet in order to provide important social and economic benefits to rural communities. One, the program should actively strive to support a diversity of types and sizes of farms and increase self-employment opportunities by prioritizing proposals that aim to enhance the profitability and viability of small and medium-sized farms and ranches. Two, the program should contribute to conserving and enhancing the quality of land, water and other natural resources and the rural environment. Rural communities benefit both economically and socially from programs that help maintain family farms and ranches, support the efforts of producers to protect the environment, and unleash the entrepreneurial spirit of America.

It is with these concerns and objectives in mind that we submit the following comments for the record. Our comments will address our concerns as they relate to all of the programs and proposed rules promulgated in Vol. 68, No. 114 of the Federal Register.

A. Value-Added Producer Grant Program

1. Evaluation Criteria

The Sustainable Agriculture Coalition recommends that the final rule include scoring criteria that award points to proposals for their contribution to enhancing the profitability and viability of small and medium-sized farms and ranches, increasing self-employment opportunities in farming and ranching, and conserving and enhancing the quality of land, water and other natural resources.

The report accompanying the Farm Security and Rural Investment Act of 2002 specified a set of purposes for the Value-Added Producer Grant Program addressing the basic policy objectives to be advanced by the program. The statement of the Managers from the farm bill conference report (page 565) reads as follows:

The Managers intend that the Department, in administering the program, will seek to fund a broad diversity of projects that help increase agricultural producer's share of the food and agricultural system profit, including projects likely to increase the profitability and viability of small and medium-sized farms and ranches. The Managers intend for the Department to consider a project's potential for creating self-employment opportunities in farming and ranching and the likelihood that the project will contribute to conserving and enhancing the quality of land, water and other natural resources.

We commend the agency for addressing these program objectives in several places in the proposed rule, and specifically in the stated policy objective of the program (Sec. 4284.902). We strongly endorse the inclusion of this policy objective in the rule.

We are concerned, however, that without relevant evaluation criteria that award points to proposals for their contributions to these two standards, the stated policy objectives of the program will be ineffective. We understand supplemental and perhaps more detailed evaluation criteria may be added in Requests for Proposals and it is our intent to work with the agency to ensure that such supplemental criteria help the program best achieve its objectives. The rule, however, includes the basic, default evaluation criteria and we believe it should therefore include clear program directives that reflect the policy statement in Section 4284.902 and the Managers language from the farm bill cited above.

We, therefore, recommend the following addition (in bold italics) to Section 4284.913 of the proposed rule, titled Evaluation Criteria and weights:

(a) *Planning grants:*

(1) *Nature of the proposed venture.* Projects will be evaluated for technological feasibility, operational efficiency, profitability, sustainability and the likely improvement to the local rural economy. ***Points will also be awarded based on the venture's positive impact on the profitability and viability of small and medium-sized farms and ranches, its contribution to increasing self-employment opportunities in farming and ranching, and its contribution to conserving and enhancing the quality of land, water and other natural***

resources. Evaluators may rely on their own knowledge and examples of similar ventures described in the proposal to form conclusions regarding this criterion.

We recommend the same language be included in the Evaluation criteria for Working Capital grants, and also recommend the phrase "likely improvement to the rural economy" that appears in the planning grant section also appear under Working Capital grants, as follows:

(b) *Working Capital grants:*

(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, **as well as the likely improvement to the local rural economy. Points will also be awarded based on the venture's positive impact on the profitability and viability of small and medium-sized farms and ranches, its contribution to increasing self-employment opportunities in farming and ranching, and its contributions to conserving and enhancing the quality of land, water and other natural resources.**

We are aware that some VAPG proposals are submitted by individual independent producers. In light of the somewhat different nature of individual farmer grants compared to larger scale projects and the possible need to evaluate them using a somewhat different lens, we recommend the following discretionary language be added to (a)(7) for Planning grants and (b)(7) for Working Capital grants to provide some flexibility, if needed, to separate individual producer grants from large scale projects during the evaluation and ranking process:

(7) *Project cost per owner-producer.* This is calculated by dividing the amount of Federal funds requested by the total number of producers that are owner of the venture. Points to be awarded will be established in the applicable RFP. **Proposals submitted by individual owner-producers may be evaluated separately as established in the applicable RFP.**

2. Definitions

In Section 4284.3 of the proposed rule, we recommend that the definition for "Agriculture Producer Group" read as follows --

An organization that represents Independent Producers, whose mission includes working on behalf of Independent producers and the majority of whose membership ~~and~~ or board of directors is comprised of Independent Producers.

In our view, the proposed requirement that VAPG agricultural producer groups must have both a majority of farmers represented in their membership as well as board of directors is unnecessary and unfair. This dual requirement would potentially exclude many non-profit organizations with expertise in value-added business and coop development that work directly on behalf of independent producers. We urge you to change the "and" to an "or" to allow participation by the full range of agricultural producer groups and to provide the Department a larger pool of proposed projects from which to select the best.

B. Agriculture Innovation Demonstration Centers

1. Definitions

In Section 4284.1004 of the proposed rule, a definition for "Qualified Board of Directors" is provided. We recommend that the final rule include representation of the full range and diversity of agriculture within the state in the membership on the Board of Directors. This is of critical importance. Representation should be diverse, including representation of the full range of farm size and cropping and enterprise types, producers using sustainable and organic farming systems and

markets, and minority, limited resource, and beginning farmers and ranchers. We recommend the inclusion of a new paragraph (4) in the definition as follows:

"(4) Such other entities as may be required to ensure representation from the full range and diversity of agriculture within the State."

2. Use of Grant Funds

We recommend that Agriculture Innovation Demonstration Centers be allowed and encouraged to allocate resources for education and training to help farmers think about and develop innovative and sustainable production systems that create marketing opportunities for value-added enterprises. To achieve this, Centers should be encouraged to coordinate with existing on-farm production and marketing research programs like the USDA Sustainable Agriculture and Research and Education Program (SARE), the many similar programs that can be found at the state level, and non-governmental organizations with expertise in value-added agriculture. In Section 4284.1008 of the proposed rule, we recommend the following addition to paragraph (d):

(d) Applied research, ***education, and training.***

3. Evaluation criteria and weights

We believe successful applicants to become Agriculture Innovation Demonstration Centers should have demonstrated ability and track records with respect to outreach to small and medium-sized farms and ranches, young and beginning farmers and ranchers, and socially disadvantaged producers. We recommend the inclusion of additional language in Section 4284.1012, paragraph (b) as follows:

(b) ***Successful track record.*** The applicant's track record in achieving value-added successes ***and in reaching and serving the full range and diversity of agriculture within the State, including small and medium-sized farms and ranches, young and beginning farmers, and socially disadvantaged producers.***

We also recommend applicants in demonstrating local support should be awarded more points for coordination with organizations whose mission is to serve small and medium-sized family farms and ranches, young and beginning farmers, or socially disadvantaged producers as well as for the extent to which their board of directors includes the full range of organizations involved in value-added activities within the state. We recommend the following additional language at the end of the subsection on local support:

(e) ***Local support.*** Proposed Centers must show local support and coordination with other developmental organizations in the proposed service area and with state and local institutions. Support documentation should include recognition of rural values that balance environmental stewardship and other rural amenities. Proposed Centers that show strong support from potential beneficiaries and coordination with other developmental organizations will receive more points than those not evidencing such support. ***Proposed Centers that include coordination with organizations whose mission is to serve small and medium-sized family farms and ranches, young and beginning farmers and ranchers, or socially disadvantaged producers, as well as that include the full range of organizations involved in value-added activities within the state on their board of directors, will also receive more points than those not evidencing such coordination or representation.***

C. General Requirements for Cooperative Services Grant Programs

Definitions

In Section 4284.3 of the proposed rule, we recommend an expanded definition for Economic Development, one that is consistent with the Department's sustainable development policy and includes measures of social, economic, and environmental conditions. Those factors should include rural community vitality, diversity of farm size, increased business

startups, higher levels of entrepreneurship and self-employment and more widespread ownership of productive assets, as well as measurable indicators for sustaining and improving the quality of natural resources.

We propose that the definition read as follows:

Economic development -- The economic growth, **social, and environmental improvement** of an area as evidenced by increase in total income, employment opportunities, **stable and growing middle class, increased business startups, higher levels of entrepreneurship and self-employment, more widespread ownership of productive assets**, decreased out-migration of population, value of production, increased diversification of **agriculture and industry, retention and enhancement of small and medium-sized farms and ranches and preservation of productive farm and ranch lands**, higher labor force participation rates, increased duration of employment, higher wage levels, **measurable gains in sustaining and improving the quality of soil, water, air, and natural resources and the environment**, or gains in other measurements of economic activity, such as land values **quality of life, and natural resource enhancement and environmental protection.**