An NGFN Webinar

OPPORTUNITY KNOCKS

TWO UNDERUTILIZED USDA PROGRAMS FOR SUPPORTING LOCAL AND REGIONAL FOOD SYSTEMS

April 25, 2013
Presentation Outline

• Technical Orientation

Wallace Center / NGFN Overview

Jeff Farbman
Wallace Center at Winrock International

• Welcome from the Deputy Secretary
• Business and Industry Loan Program
• Case study: Brattleboro Food Co-op
• Community Facilities Loan and Grant Program
• Case study (loan): Second Harvest Food Bank
• Case Study (grant): Shore Gourmet
• Questions and Answers
• Upcoming Opportunities, etc.
WALLACE CENTER at WINROCK INTERNATIONAL

- Market based solutions to a 21st Century food system
- Work with multiple sectors – business, philanthropy, government
- Healthy, Green, Affordable, Fair Food
- Scaling up Good Food
NATIONAL GOOD FOOD NETWORK: GOALS

Supply Meets Demand
• There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

Information Hub
• The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

Policy Change
• Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.

http://ngfn.org | contact@ngfn.org
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Kathleen Merrigan

USDA

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TOGETHER WE CAN BUILD LOCAL AND REGIONAL FOOD SYSTEMS

www.usda.gov/knowyourfarmer
The Know Your Farmer, Know Your Food Compass

www.usda.gov/kyfcompass
The KYF Compass Map: The Landscape of Regional Food Systems

- Explore funding opps for local/regional
- Find farmers markets, food hubs
- Beyond USDA – funding across the federal gov’t

www.usda.gov/kyfcompass
Exploration, Partnerships and Opportunities

Other Federal Partners: New River Valley Livability Initiative
- **Description**: Funds regional planning process to promote strategic community development and land use policies, including an emphasis on the local foods economy and preservation of agricultural lands.
- **Recipient**: New River Valley Planning District Commission
- **Year**: 2010

Other Federal Partners: Roanoke Area Wide Planning Pilot
- **Description**: For area wide planning pilot including existing community gardens, new gardens and improved food access as part of other Railroad Corridor efforts.
- **Recipient**: City of Roanoke
- **Year**: 2010
KYF2 Contact:

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202-720-3165

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Business and Industry Loan Program

John Broussard

USDA Rural Development

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Rural Development - Rural Business-Cooperative Service

Business & Industry Guaranteed Loan Program

Presenter: John H. Broussard
RBS B&I Division Director
Objectives

Become familiar with USDA Rural Development Rural Business—Cooperative Programs:

• B&I Guaranteed Loan Program;
• How the B&I Program can be used to support local and regional food system projects;
• Eligibility and other things to know as you are considering a B&I.
USDA Rural Development

The mission of USDA Rural Development is to increase economic opportunity and improve the quality of life for all rural Americans.
Rural Development State Offices

- Each state has at least one Rural Development Office that processes B&I loans
- Contact the Business Programs Director or staff early in the process
- Visit our website at: www.rurdev.usda.gov for a State Office Directory
Business and Industry
Guaranteed Loan Program Mission

- Create and maintain employment and improve the economic and environmental climate in rural communities
- Bolster the existing private credit structure through the guarantee of quality loans that will provide lasting community benefits
Business & Industry – Project Example

Cabool Kountry Meats:
• State-inspected full service processing plant in Cabool, MO
• Processes beef, pork, sheep, goats and deer
• Retail sales of meat and cheese in the retail store; custom processing for livestock producers
• $360,000 B&I for expansion
Rural Development - Rural Business-Cooperative Service

Business & Industry – Project Example

Red Jacket Orchards:
• Orchard, fruit farm and juice processing facility in Geneva, NY
• Built LEED-certified processing and distribution center in 2009
• Sells from on-site retail store, NYC Greenmarkets, regional grocers
• $2.4m B&I in 2009
B&I Focus on Local/Regional Foods:  
Section 6015 of the 2008 Farm Bill

- Reserve up to 5% of funding within the Business and Industry Guaranteed Loan Program for the first six months of each fiscal year to support “…enterprises that process, distribute, aggregate, store, and market locally or regionally produced agricultural food products to support community development and farm and ranch income.”

- For the purposes of this statute, a “locally or regionally produced agricultural food product” has been defined as one that is raised, produced, and distributed in either the same state or within 400 miles of the locality in which the final product is marketed.
Answers to FAQs About the Local Food Set-Aside

• The project does NOT have to serve all functions (process, distribute, aggregate, store, and market an agricultural food product). B&I is available, for example, to processing facilities turning local oranges into juice, or cold storage facilities for local meat products.

• The project does not have to handle local products 100% of the time, but a significant portion of the applicant’s business should be attributed to local or regional food products. The locally or regionally grown agricultural food products must be identified and verifiable.

• Products can be transported within a 400-mile radius of where they originated, or within a state, and qualify.
Why Obtain a Loan Guarantee?

- Allows lender to lend beyond its legal lending limit
- Mitigates collateral & other perceived risk
- Secondary market yield
- Expand loan portfolio
- Fee income
Eligible Borrowers

- Any legal entity, including nonprofit organizations, Federally recognized tribal groups, public bodies and individuals.
- Individual borrowers must be US citizens or permanent residents. Corporations must be at least 51 percent owned by US citizens or permanent residents.
- Must be in an eligible rural area.
Eligible Business Locations

- Rural Area – Anywhere except within the boundaries of a city or town with more than 50,000 inhabitants or the urbanized area of that city or town
- Eligibility can be determined at the following Web site: http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do
Types of Lenders

• Traditional Lenders – Federal or State chartered banks, Savings & Loans, Farm Credit banks, Credit Unions

• Other Lenders – that have legal authority, sufficient experience and financial strength to operate a successful lending program

• Program is not intended for marginal or substandard loans or relief of lenders having such loans.
Typical Loan Purposes

- Real estate purchase and improvements
- Machinery and equipment purchase
- Working capital
- Integrated agriculture production/processing facilities
- Debt refinancing and business acquisitions - under certain conditions
Ineligible Purposes

- Lines of credit
- Lease payments
- Guarantee of loans made by other Federal agencies.
- Distribution or payment to an owner, beneficiary, or a close relative of the owner, when owner will remain an owner
- Federal tax-exempt obligations
Fees and Percentage of Guarantee

- **Fees**
  - Initial Guarantee Fee – 3% in most cases
  - Annual Renewal Fee – ½ of 1% *subject to change*

- **Percent of Guarantee Maximums**
  - Greater than $10 MM – 60%
  - $5MM - $10MM – 70%
  - ≤ $5MM – 80%
Loan Limits

- No minimum loan amount
- $10 Million maximum without Administrator exception
- Up to $25 Million to any one borrower
- Up to $40 Million for rural cooperative organizations
Maximum Loan Terms

- Real estate - 30 years
- Machinery and equipment - the lesser of 15 years or useful life
- Working capital - 7 years
Requirements to Discuss with your Local Office

- Personal/corporate guarantees are sometimes required
- Equity required
- Sufficient collateral required
- Specific discount rates depending on purpose of loan
- Real estate appraisals, feasibility studies for new businesses, environmental review and proof of insurance may be required
Loan Approval

- Approval typically takes no more than 30-60 days
- Rural Development State Loan Committee meets to consider approving loan guarantee
- National Office Loan Committee approves loans above State’s loan approval authority
Web Links

• USDA Rural Development [www.rurdev.usda.gov](http://www.rurdev.usda.gov)

• Rural Business-Cooperative Service [www.rurdev.usda.gov/rbs](http://www.rurdev.usda.gov/rbs)

• Rural Area Eligibility – [www.rurdev.usda.gov/rbs](http://www.rurdev.usda.gov/rbs)
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- Technical Orientation
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  Welcome from the Deputy Secretary

- Business and Industry Loan Program
  Case study: Brattleboro Food Co-op
  Alex Gyori
  *Brattleboro Food Co-op*

- Community Facilities Loan and Grant Program
  Case study (loan): Second Harvest Food Bank
  Case Study (grant): Shore Gourmet

- Questions and Answers

- Upcoming Opportunities, etc.
Outside View
Store Entrance
Produce Department

The BFC emphasizes and promotes local produce whenever possible. We also offer certified organic produce and source local organic produce when available.
Local Cheese
Local Floral
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- Community Facilities Loan and Grant Program

  Karen Safer
  USDA Rural Development

- Case study (loan): Second Harvest Food Bank
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Community Facilities
Direct Loans
Grant Programs
Where?

Eligible Rural Areas

Cities, towns, and census designated places (CDPs) with populations of **20,000 or less** according to the latest decennial census of the United States.

No limitation on population in unincorporated rural areas except in CDPs.
Eligible Rural Areas

• Projects must *primarily* serve and benefit rural residents and communities.

• At least 51% of population served must be in an eligible rural area.
What Is An Essential Community Facility?

- Provides an essential service to the local community. Must be a public improvement needed for the orderly development of a rural community.
What Is An Essential Community Facility?

- The facility is the physical structure and the equipment needed to perform the function.

For Example: School equipment, farmers markets, health clinics, distribution trucks, food banks.
Who Is Eligible To Participate?

Eligible Applicants

• Public Bodies

• Nonprofit Organizations

• Indian Tribes
An Eligible Facility Must Be:

- A function/service typically provided by a local unit of government
- Operated on a non-profit basis
- Within the jurisdiction of the applicant
An Eligible Facility Must Be:

• Able to demonstrate significant community support.

• Provide resolution or letter of support from affected local government(s) to indicate that:
  – Service is needed
  – Facility will not adversely impact other facilities providing similar services

• This is NOT a requirement for financial support
Eligible Applicants

Nonprofit Organizations

• An organization operated on a not-for-profit basis, such as an association, cooperative, or private corporation.

• Need to provide organizational documents to demonstrate nonprofit status.
Eligible Nonprofit Corporations

- Must have **significant ties** to local community
  - To ensure that a facility under private control will carry out a public purpose
  - Facility will continue to primarily serve rural areas
Grant Funding

The Facility must serve areas:

where the median household income is below the poverty line or below 90% of the State non-metropolitan median household income (whichever is higher).
CF Loans and Grants

• Small amount of grant funding – avg. grant is $30K

• Lots of loan funding available – amount available varies by state.

• Current CF Market interest rate is 3.5%
CF can lend for:

**Food Banks and Food Hubs**
- Purchase building
- Renovations
- Construct new building
- Purchase equipment
- Purchase vehicles for food delivery
- Cold Storage

**School Cafeterias**
- Equipment
- Renovations
- Central Processing/Distribution Centers

**Food Business Incubators**
- Purchase Building
- Renovations and Equipment
- Distribution Trucks

**Community Gardens**
- Purchase real estate
- Noncommercial greenhouses

**Community Kitchens**
- Renovations (applicant must own facility)
- Equipment
- New construction

**Farmer’s Markets**
- New construction
- Purchase building
- Renovations
- Equipment – i.e., Electronic Benefits Transfer (EBT) machines; Debit/Credit machines
Good News

State Directors are looking for food projects

Contact your local office
How To Learn More About USDA Rural Development

Contact Your State Rural Development Office

http://www.rurdev.usda.gov/recd_map.html

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- **Community Facilities Loan and Grant Program**
  Case study (loan): Second Harvest Food Bank
  **Brooke Johnson**
  *Second Harvest Food Bank Santa Cruz County*
  
- Case Study (grant): Shore Gourmet
- Questions and Answers
- Upcoming Opportunities, etc.
Second Harvest Food Bank
Santa Cruz County

FACILITY EXPANSION
PROJECT
Facility – Aerial View

1988

2011
Agency Distribution Center

Before

After
Warehouse

Before

After
Cooler

Before

After
Receiving

Before

After
NEW

Solar Panels
Compost Station and Bioswale
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  Kevin Deighan
  Shore Gourmet

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“Know Your Food, Know Your Farmer”
The principal purpose of Shore Gourmet Inc. is to promote agricultural and related products affiliated with the Eastern Shore Region (hereafter referred to as the “Region”) in order to promote the economic development of, and lessen the burden on government related to the region’s economic structure. Said corporation is organized exclusively for nonprofit purposes as a business league under section 501(c) (6) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

Shore Gourmet is a non profit 501 © 6 whose charter is to help Eastern Shore value added food producers develop products and then to help them find a market for the value added product.
Shore Gourmet Truck
Kevin Deighan, Shore Gourmet and Stephen McHenry, MARBIDCO Executive Director, stand by the refrigeration truck purchased with assistance from a Local Government Ag/RBI Project Cost Share Grant. The MARBIDCO grant served as a partial match to MAERDAF and USDA-Rural Development grants.
Shore Gourmet has been Supported in Part By:
USDA/Rural Development
MAERDAF
MARBIDCO
AFT
MSRC
Shore Gourmet serves the Eastern Shore of MD & Delaware
Business Consultation

• Provide product, market and business development assistance to value-added food ventures
• Free service provided by the MSRC, Eastern Shore Entrepreneurship Center and Chesapeake Bay Region Technical Center of Excellence
• Foster a business network with other local companies and assemble resource information
• Lend assistance to local companies when needed to get products utilizing the refrigerated truck.
USDA Deputy Secretary Kathleen Merrigan and Shore Gourmet Board President Brad Powers at Shore Gourmet Distribution Center
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Webinars are Archived

TOPICS!

http://ngfn.org/webinars
NGFN Webinars

- 3rd Thursday of each month
  3:30p EST (12:30p PST)

http://ngfn.org/webinars

- May 16 – Starting a Food Hub: Successful Hubs Share Their Stories
Three Notable Websites

- **www.FoodHub.info**
  - Food Hub “hub”
  - Research, case studies, list and map of hubs across the country, much more.

- **www.HUFED.org**
  - About the initiative
  - Grantee profiles
  - Library of many of the best food access resources

- **www.FoodshedGuide.org**
  - Case study-based business and financial training
  - Includes a “One Page Business Plan” and a “One Page Financial Plan”
Get Connected, Stay Connected

http://ngfn.org/database

National Good Food Network Database
Click to learn more

Search for: Wallace Center

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