

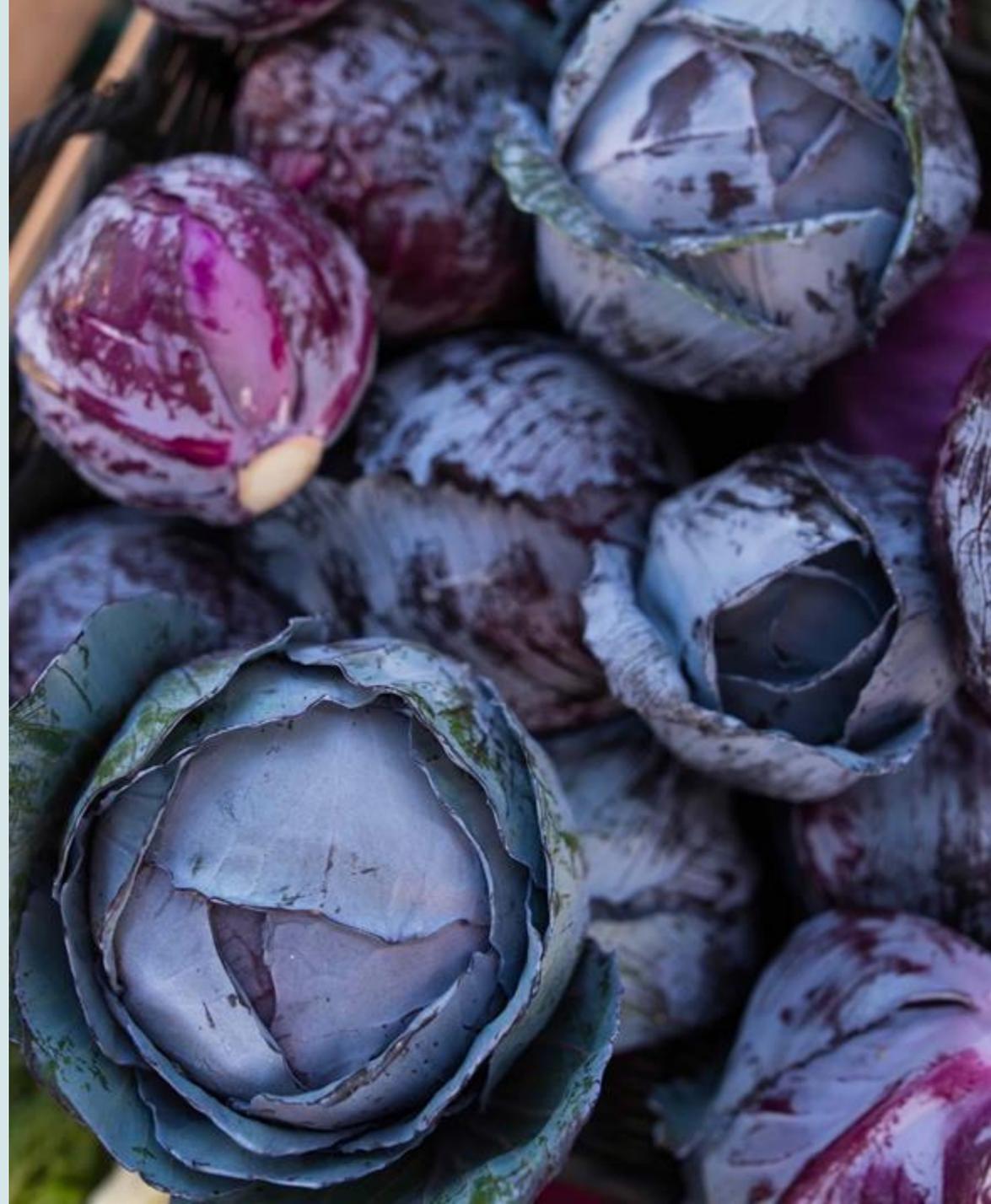


What you need to know

Project Planning and Budgeting for Grants

Agenda

- Great Lakes Midwest Regional Food Business Center
- Upcoming Business Builder grants
- Writing a project plan
- Developing a budget



Speaker



Andy Larson,
Food Finance Institute



Co-hosts



Julie Jesmer,
MSU Center for
Regional Food
Systems



Jamie Rahrig,
MSU Center for
Regional Food
Systems



The USDA Regional Food Business Centers are established to drive economic opportunities across their region, creating a more diversified and resilient food system.

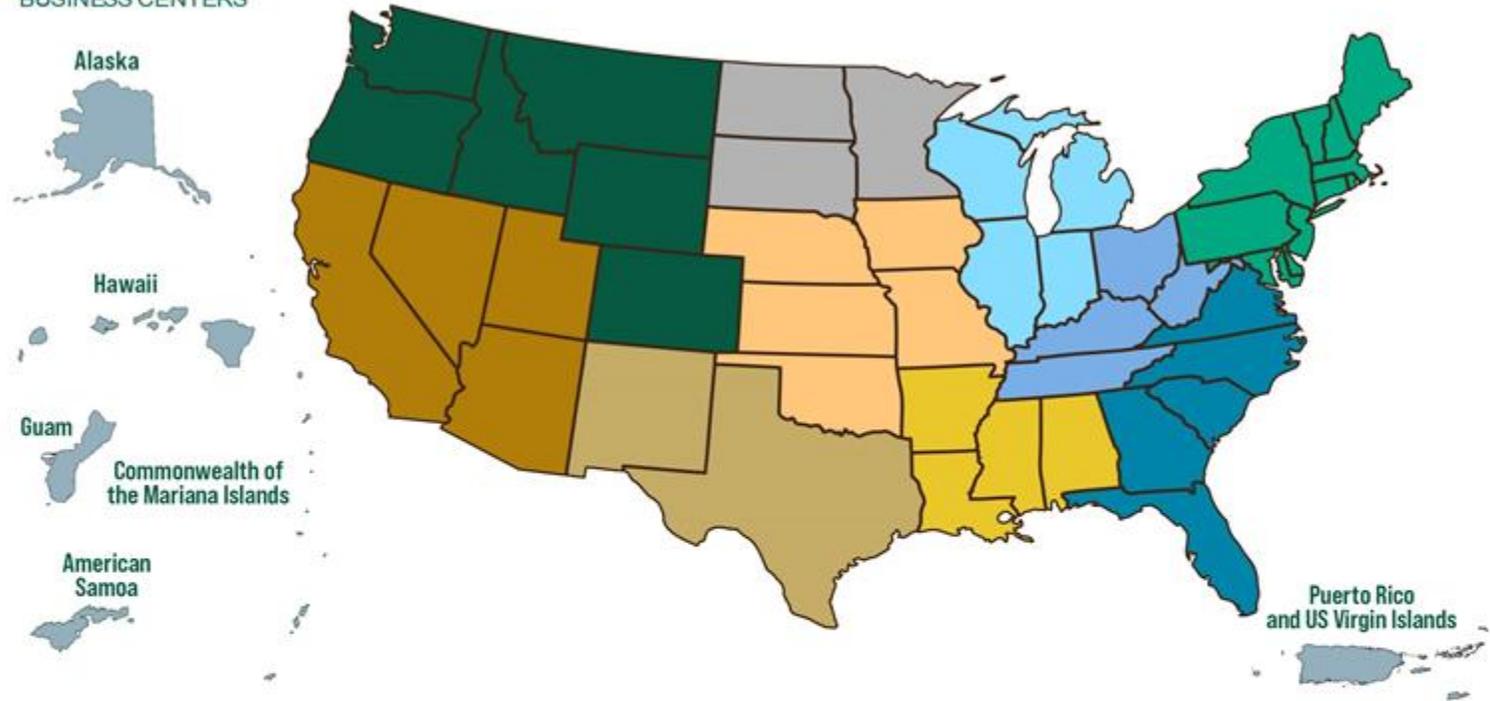


The USDA Regional Food Business Centers

will provide technical assistance needed to access new markets, access to federal, state, and local resources, and will assist small- and mid-sized producers in overcoming barriers to market access, with a focus on underserved farmers, ranchers, and food businesses.

Locations of Centers

USDA Regional Food Business Centers Geographic Regions



★ National Intertribal Food Business Center - Intertribal Agriculture Council will serve tribes nationwide. ★

Northwest and Rocky Mountain
 Colorado State University

Southwest
 University of California
 (This Center will serve the Colonias counties in California and Arizona.)

North Central
 Region Five Development Commission

Heartland
 University of Nebraska - Lincoln

Rio Grande Colonias
 Texas A&M AgriLife
 (This Center will serve the Colonias counties in New Mexico and Texas.)

Great Lakes Midwest
 Michigan State University Center for Regional Food Systems

Delta
 Mississippi Delta Council for Farmworker Opportunities

Appalachia
 Rural Action, Inc.

Northeast
 National Association of State Departments of Agriculture Foundation

Southeast
 Georgia Minority Outreach Network

Islands and Remote Areas
 Hawaii Good Food Alliance

*These boundaries are not rigid but for visualization purposes only. USDA anticipates collaboration with communities across state and county lines.

The Great Lakes Midwest Center

Great Lakes Midwest
Regional Food Business Center



Center Lead: Michigan State University
Center for Regional Food Systems

Network Coordinators



MICHIGAN STATE
UNIVERSITY

Center for
Regional Food Systems



Support for Food & Farm Businesses

- **Assistance** – Provide direct business technical assistance to small- and mid-sized food and farm businesses (producers, processors, distributors, and other businesses within the food supply chain) and food value and supply chain coordination.
- **Capacity Building** – Provide financial assistance through business builder subawards up to \$100,000 to support projects focused on emerging regional needs and businesses that are working towards expansion and other investment.



Business Builder Awards

Capacity Building Grants



Building Capacity in Local and Regional Food Systems

USDA/AMS cooperative agreement

- Food and Farm business

Business Builder Award program - what on the horizon?

- Grants available to food and farm businesses
- Phase 1
 - Farmers, farm collectives, food producers
 - Post harvest activities
 - Look for upcoming
 - FAQ page
 - “Office hours”
 - Application instructions
 - Application formats
- What you need to know to get ready for BBA’s and other grant opportunities
- Network and connect with other food and farm businesses
- Upcoming Grant Specialist position



What You Need to Know: Project Planning & Budgeting for Grants

Andy Larson

Farm Program Manager - Food Finance Institute

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Planning First, Grants to Follow

- Grant opportunities should not define how you will grow your farm business. Instead, your business plan should dictate which grants make sense to pursue.
 - Value-Added Producer Grants from RD
 - Farmer-Rancher grants from SARE
 - Resilient Food Systems Infrastructure grants
 - Business Builder grants from RFBCs
 - Other local/state/regional programs



Opportunities for Growth

- Business planning process should identify desirable growth scenarios and what it would take to seize the opportunity
- This will often identify projects that require investment



Example: Grow Pork Brand via e-Commerce

- Direct-market pastured pork farm currently sells retail cuts at farmers markets and freezer beef to area customers
- They are considering sales growth by aggregating pork from other local farmers, selling cuts & bundles online with GrazeCart, then shipping UPS

Pastured Pork Enterprise Budget				
Revenues		Total	RETAIL PORK	FREEZER PORK
# head			30	20
lbs sold			5610	3740
Price/lb			\$ 7.99	\$ 4.99
	Sales	\$ 63,486.50	\$ 44,823.90	\$ 18,662.60
	% of Sales	100%	71%	29%
Variable Costs		Total	RETAIL PORK	FREEZER PORK
Weaned pigs		\$ 4,000.00	\$ 2,400.00	\$ 1,600.00
Feed & mineral		\$ 9,240.00	\$ 5,544.00	\$ 3,696.00
Vet & medicine		\$ 250.00	\$ 150.00	\$ 100.00
Kill, cut, & pack		\$ 15,932.60	\$ 11,040.60	\$ 4,892.00
	Variable costs	\$ 29,422.60	\$ 19,134.60	\$ 10,288.00
	Gross profit	\$ 34,063.90	\$ 25,689.30	\$ 8,374.60
	Gross profit margin	54%	57%	45%
Overhead Expenses		Total	RETAIL PORK	FREEZER PORK
Car and truck		\$ 6,000.00	\$ 4,236.23	\$ 1,763.77
Insurance		\$ 2,000.00	\$ 1,412.08	\$ 587.92
Repairs		\$ 5,000.00	\$ 3,530.19	\$ 1,469.81
Professional services		\$ 4,000.00	\$ 2,824.15	\$ 1,175.85
	Fixed costs	\$ 17,000.00	\$ 12,002.65	\$ 4,997.35
	Net profit	\$ 17,063.90	\$ 13,686.65	\$ 3,377.25
	Net profit margin	27%	31%	18%

Example: Grow Pork Brand via e-Commerce

- How much investment to seize this opportunity?
 - Capital expenses - \$33,000
 - Walk-in freezer - \$20,000
 - Shelving/racking - \$4,000
 - Labeling/barcoding/tracking system - hardware and software - \$9,000
 - Non-capital inventory costs - \$55,000
 - Pork inventory - 50 hogs for \$33,000
 - Initial processing - \$18,000
 - Packaging materials - boxes, coolers, dry ice, labels - \$4,000
 - Other - \$20,000
 - Shipping - \$6,000
 - Marketing communications and promotion - \$4,000
 - Professional services, e.g. web & graphic design, accountant, attorney - \$10,000

Example: Grow Pork Brand via e-Commerce

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Pastured Pork Enterprise Budget					
Revenues		Total	RETAIL PORK	FREEZER PORK	ECOMMERCE
# head			30	20	50
lbs sold			5610	3740	9350
Price/lb			\$ 7.99	\$ 4.99	\$ 9.99
	Sales	\$ 156,893.00	\$ 44,823.90	\$ 18,662.60	\$ 93,406.50
	% of Sales	247%	29%	12%	60%
Variable Costs		Total	RETAIL PORK	FREEZER PORK	ECOMMERCE
Weaned pigs		\$ 4,000.00	\$ 2,400.00	\$ 1,600.00	
Feed & mineral		\$ 9,240.00	\$ 5,544.00	\$ 3,696.00	
Vet & medicine		\$ 250.00	\$ 150.00	\$ 100.00	
Finished hogs		\$ 32,725.00			\$ 32,725.00
Kill, cut, & pack		\$ 34,333.60	\$ 11,040.60	\$ 4,892.00	\$ 18,401.00
Package & ship		\$ 10,000.00			\$ 10,000.00
	Variable costs	\$ 90,548.60	\$ 19,134.60	\$ 10,288.00	\$ 61,126.00
	Gross profit	\$ 66,344.40	\$ 25,689.30	\$ 8,374.60	\$ 32,280.50
	Gross profit margin	42%	57%	45%	35%
Overhead Expenses		Total	RETAIL PORK	FREEZER PORK	ECOMMERCE
Car and truck		\$ 6,000.00	\$ 4,000.00	\$ 1,000.00	\$ 1,000.00
Insurance		\$ 2,000.00	\$ 571.39	\$ 237.90	\$ 1,190.70
Repairs		\$ 5,000.00	\$ 2,000.00	\$ 2,000.00	\$ 1,000.00
Professional services		\$ 14,000.00	\$ 2,000.00	\$ 1,000.00	\$ 9,000.00
	Fixed costs	\$ 27,000.00	\$ 8,571.39	\$ 4,237.90	\$ 12,190.70
	Net profit	\$ 39,344.40	\$ 17,117.91	\$ 4,136.70	\$ 20,089.80
	Net profit margin	25%	38%	22%	22%

Test Alignment

- Consider each grant's:
 - Purpose
 - Eligibility criteria
 - Priorities
 - Size
 - Timing
 - Complexity
 - Documentation
 - Allowable costs
 - Matching funds
 - Reimbursement
 - Scoring rubric
- Grant opportunities:
 - Value-Added Producer Grants from RD
 - Farmer-Rancher grants from SARE
 - Resilient Food Systems Infrastructure
 - Business Builder grants from RFBCs
 - Other local/state/regional programs

Match-Make the Project with Grant Ops

- Capital expenses - \$33,000
 - Walk-in freezer - \$20,000
 - Shelving/racking - \$4,000
 - Labeling/tracking system - \$9,000
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 - Initial processing - \$18,000
 - Packaging materials - \$4,000
- Other - \$20,000
 - Shipping - \$6,000
 - Marketing - \$4,000
 - Professional services - \$10,000
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- Farmer-Rancher grants from SARE
- Resilient Food Systems Infrastructure
- Business Builder grants from RFBCs
- Other grant/loan/loan guarantee programs



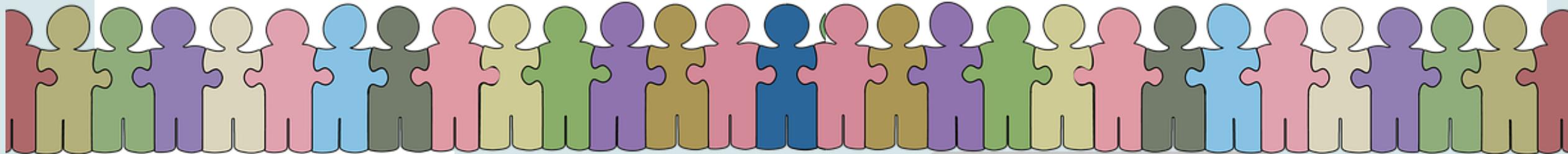
Maximize Your Competitiveness

- Many RFAs include application template and scoring rubric
 - Pay attention to points, weights, and bonuses
 - Example from Heartland RFBC Business Builder

EVALUATION CRITERIA	MAXIMUM POINTS POSSIBLE
Project Summary <ul style="list-style-type: none"> • Is the summary clear and complete? 	10
Background <ul style="list-style-type: none"> • Is the description of applicant's background, including the background of the business, clear and relevant? • Will their experience and expertise help them complete the grant project successfully? 	20
Project Request <ul style="list-style-type: none"> • Is it clear how this project will improve or expand this business? • Did they describe existing equipment, infrastructure, or other resources they intend to use to complete this project? • If applicable, did they demonstrate they have permission to implement the project? 	25
Outcomes <ul style="list-style-type: none"> • Is it clear what issue or opportunity of the Heartland Center's Desired Outcomes the project will address (as listed in RFA under Desired Outcomes)? • Overall, the proposal/plan will contribute to Heartland Center desired outcomes. 	20
Work Plan <ul style="list-style-type: none"> • Are the steps to completion clear? • Does the plan make sense? • Overall, the proposal/plan is feasible. 	10
Budget <ul style="list-style-type: none"> • The budget request is clear. • The budget request is justified (the need is described, including how the expense will meet the need). • The budget request is reasonable (bids/estimates are in line with current pricing). 	15
TOTAL POINTS	100
Bonus Points	
The applicant's enterprise is located in a Distressed or At-risk community as defined in the application's Bonus Point section.	5
The applicant describes in the application's Technical Assistance section how work with a technical assistance provider has helped them address business issues and goals.	5
BONUS TOTAL	10
GRAND TOTAL	110

Project Description

- Opportunity to tell a convincing story about how your project will provide mutual benefit to your farm business, others in your community, and the grant-making organization
 - Emphasize how values align
 - Sell your experience and how/why this project will work
 - Emphasize benefits that will accrue to members of high-priority audiences, e.g. beginning/veteran/BIPOC farmers
 - Better if priority audiences are materially involved in planning & implementation



Work Plan

- Step-by-step roadmap of how your project will play out
 - From VAPG: “[max] points will be awarded if you provide a clear, comprehensive work plan detailing all project goals, tasks, timelines, costs, and responsible personnel in a logical and realistic manner that demonstrates a high likelihood of success.”
- Know the difference between outputs, outcomes, and impacts



Budget

Heartland RFBC Business Builder

Activity number	Activity	Timeline	Who is responsible
1			
2			
3			
4			

Activity number	Activity	Timeline	Who is responsible
1	Hire web designer	First quarter	Owner
2	Contract with online payment system	Second quarter	Owner
3	Integrate web site with online marketplace	Third quarter	Assistant
4	Collect data to determine success of online marketing	Fourth quarter	Assistant

Value Added Producer Grant

Activity #	Task Name, Description, and Responsible Party	Start Date	End Date	VAPG Funds	Cash Matching Funds	In-Kind Matching Funds	Total Project Costs
	TOTAL PROJECT			\$	\$	\$	\$

Activity #1 Task Breakdown	VAPG Grant Funds	Cash Matching Funds	In-Kind Contributions	Total
Example Budget Categories				
Personnel				
Fringe Benefits				
Travel				
Office Equipment				
Supplies				
Contractual				
Other (specify)				
Other (specify)				
Total	\$	\$	\$	\$

Budget Narrative

- Logical and mathematical justification for each line in budget
 - Avoid round-number guesstimates whenever possible

Example:

SUPPLIES (Year 1, Q3)

Insulated Foam Coolers for shipping pork bundles

https://www.uline.com/BL_2172/Insulated-Foam-Containers

Unit cost \$18.33 x 4 coolers per hog x 50 hogs = \$3,666

2-inch thick foam coolers with dry ice will allow 40 lb pork bundles to arrive frozen to 25 states when shipped using UPS 2-day shipping

Budgeting Tips

- Devoting some staff time up front can earn some operating cash with your first reimbursement requests
 - https://www.bls.gov/oes/current/oes_nat.htm

Display records

Text search table:

Occupation code	Occupation title (click on the occupation title to view its profile)	Level	Employment	Employment RSE	Employment per 1,000 jobs	Median hourly wage	Mean hourly wage	Annual mean wage	Mean wage RSE
11-9013	Farmers, Ranchers, and Other Agricultural Managers	detail	6,150	4.7%	0.041	\$40.27	\$43.35	\$90,160	1.4%
13-1074	Farm Labor Contractors	detail	460	24.9%	0.003	\$21.98	\$24.71	\$51,400	10.9%
25-9021	Farm and Home Management Educators	detail	8,110	4.4%	0.053	\$28.73	\$29.53	\$61,430	2.4%
45-0000	Farming, Fishing, and Forestry Occupations	major	432,200	1.1%	2.846	\$17.08	\$19.22	\$39,970	0.6%
45-1011	First-Line Supervisors of Farming, Fishing, and Forestry Workers	detail	27,150	2.5%	0.179	\$27.56	\$29.23	\$60,790	0.8%
45-2092	Farmworkers and Laborers, Crop, Nursery, and Greenhouse	detail	258,730	1.1%	1.704	\$16.57	\$17.37	\$36,140	0.6%
45-2093	Farmworkers, Farm, Ranch, and Aquacultural Animals	detail	32,590	3.5%	0.215	\$16.88	\$17.82	\$37,060	0.8%
49-3041	Farm Equipment Mechanics and Service Technicians	detail	36,830	1.4%	0.243	\$23.66	\$25.06	\$52,120	0.5%

Budgeting Tips

- “Equipment” is regularly disallowed in USDA grants
 - Items costing \$5000+ and a useful life greater than 1 year
 - Items costing less are “supplies”
- If you can’t buy equipment, consider how offsetting other operational costs will affect cash flow

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Grants as Leverage for Other Financing

- If a grant is awarded, can potentially act as equity contribution (aka down payment) when project is pitched to a lender
- Some lenders can make loans to help cover early stages of a cost-reimbursable grant award, but may require other collateral
- Equipment loans are pretty easy



Accounting for Grant Funds

- Categorized as “other income” on the Schedule F

Part I Farm Income—Cash Method. Complete Parts I and II. (Accrual method, Complete Parts II and III, and Part I, line 9.)

1a Sales of purchased livestock and other resale items (see instructions)	1a		
b Cost or other basis of purchased livestock or other items reported on line 1a	1b		
c Subtract line 1b from line 1a			1c
2 Sales of livestock, produce, grains, and other products you raised			2
3a Cooperative distributions (Form(s) 1099-PATR)	3a	3b Taxable amount	3b
4a Agricultural program payments (see instructions)	4a	4b Taxable amount	4b
5a Commodity Credit Corporation (CCC) loans reported under election			5a
b CCC loans forfeited	5b	5c Taxable amount	5c
6 Crop insurance proceeds and federal crop disaster payments (see instructions):			
a Amount received in 2023	6a	6b Taxable amount	6b
c If election to defer to 2024 is attached, check here <input type="checkbox"/>		6d Amount deferred from 2022	6d
7 Custom hire (machine work) income			7
8 Other income , including federal and state gasoline or fuel tax credit or refund (see instructions)			8
9 Gross income. Add amounts in the right column (lines 1c, 2, 3b, 4b, 5a, 5c, 6b, 6d, 7, and 8). If you use the accrual method, enter the amount from Part III, line 50. See instructions			9

- Have a way to tag expenses related to the grant in your bookkeeping system for easier reimbursement and for future comparative analysis
- TAX TIP: have expenses to offset grant funds in the same calendar year if income tax obligations are a concern

Take-Away Points

- Start with the project and market opportunity, then find the grant to cover all or part
- Grant has to be a great fit for the project, or the application will not be competitive
- Work plan and budget should be quite specific, and only include allowable costs
- Use grant awards to leverage additional financing as needed for other aspects of the project





Next steps

- Watch your inbox
 - Today's slides and resources will be shared by email
 - Updates on future webinars and the Business Builder grant application
 - Announcement for assistance
- View webinar recordings
 - Get a jump start on grant applications, held 6/20/24
 - Grants 101, held 8/22/24

**Tell us how
we did!**



Thank you!

Email: glm-rfbc@msu.edu

<https://www.canr.msu.edu/GLM-RFBC>