

# Accessing USDA's Value-Added Producer Grant

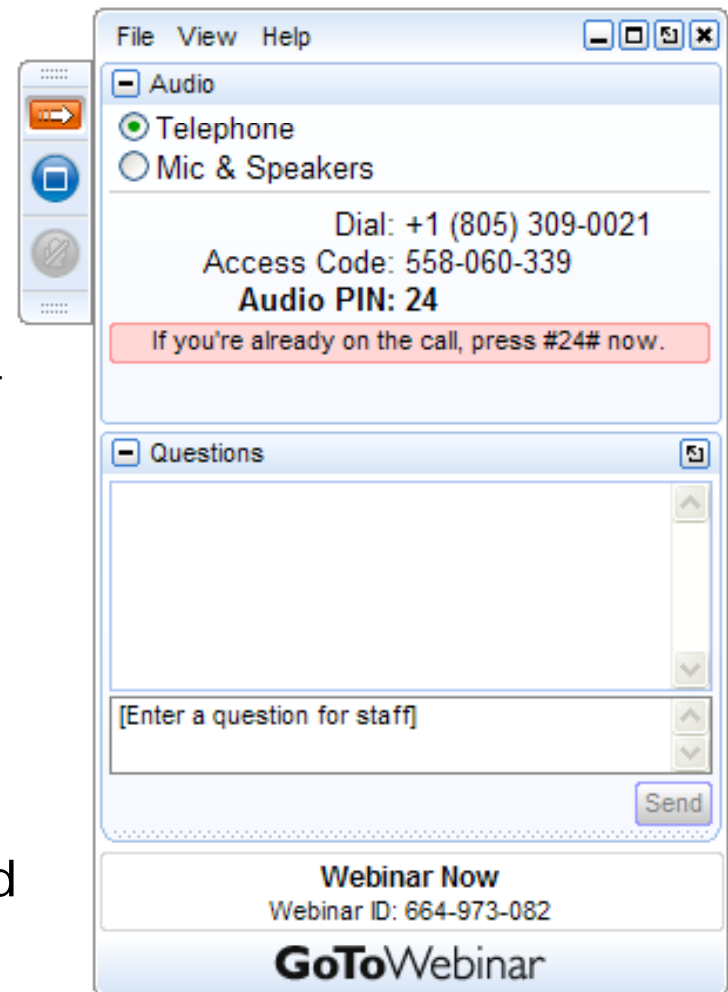
*2 PM ET, September 14, 2012*



This Webinar is brought to you by:  
U.S. Department of Agriculture and  
Biomass Thermal Energy Council (BTEC)

## Quick notes

- Two Audio Options:  
Streaming Audio and Dial-In.
  1. Streaming Audio/Computer Speakers (Default)
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- Ask questions using the **Questions Panel** on the right side of your screen.
  
- The recording of the webinar and the slides will be available after the event. All registrants will be notified by email.





## Speakers

- **Dallas Tonsager** - USDA Under Secretary
- **Todd Campbell** - USDA Rural Development, Alternative Energy Advisor to the Under Secretary
- **Lyn Millhiser** - USDA Rural Development, Management and Program Analyst
- **Dave Atkins** - USDA Forest Service, Woody Biomass Program Manager

## Moderator

- **Joseph Seymour** - Biomass Thermal Energy Council, Executive Director

**I. Event Introduction - Seymour**



## Presentation Outline

- I. Welcome/Event Intro** – Joseph Seymour
- II. Opening Remarks** – Dallas Tonsager
- III. USDA Activities** – Todd Campbell
- IV. Grant Background** – Lyn Millhiser and Dave Atkins
- V. Q&A** – Joseph Seymour

[Full presentation will be available online via BTEC website]

## Introduction to BTEC

The Biomass Thermal Energy Council (BTEC) is the industry trade association dedicated to advancing the use of biomass for heat and other thermal energy applications.

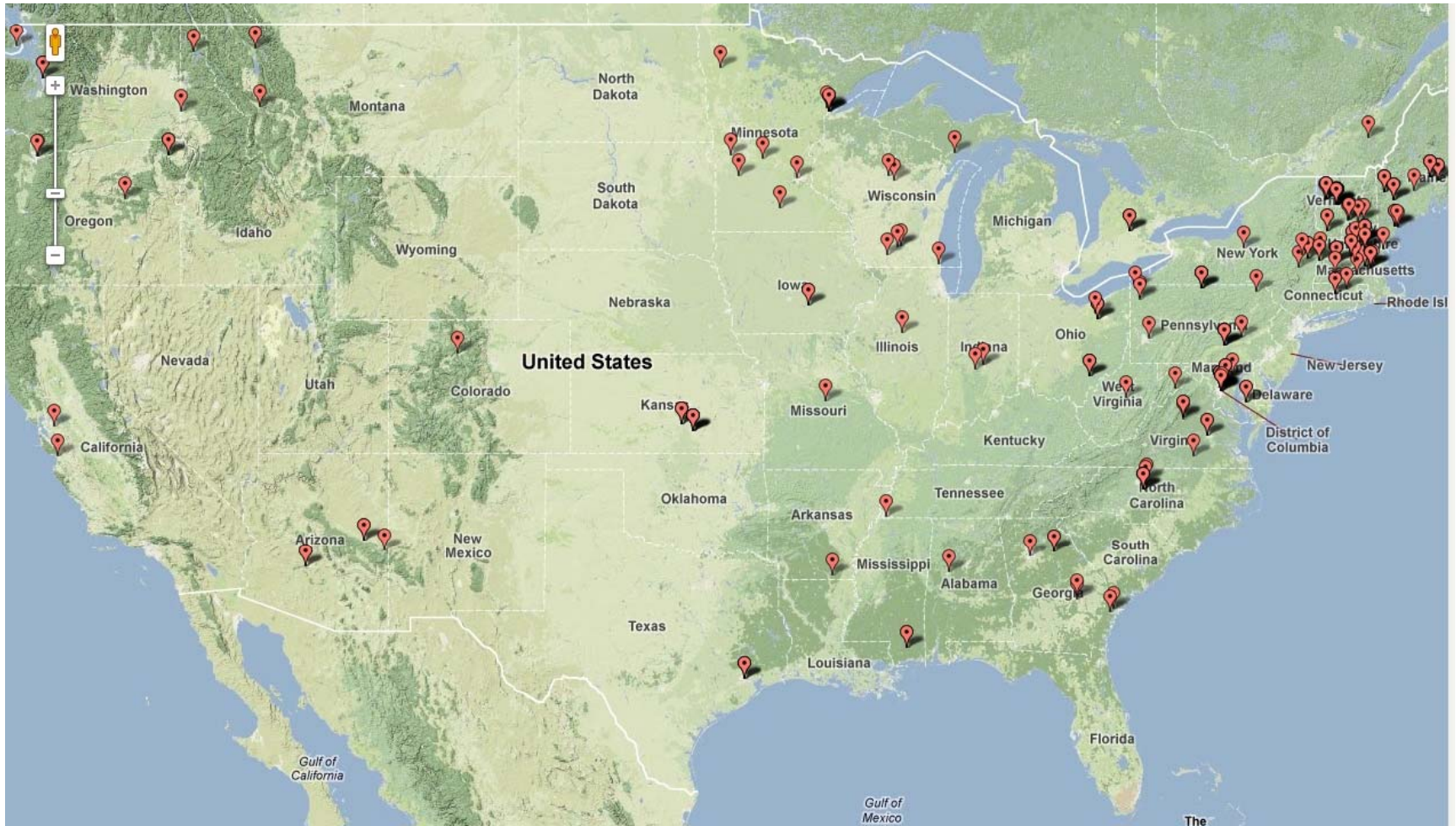
### Why was BTEC established?

1. To **advocate for and promote** the biomass thermal industry in the national energy policy debate
2. To **reach out** to and **educate** the public and decision makers on the benefits and advantages of using biomass for heat and CHP
3. To develop biomass energy **research and analysis** that enables sound investment and policy decisions



# BTEC's Membership\*

\* As of September 14, 2012



## BTEC's Membership\*

\* As of September 13, 2012



ACT Bioenergy	Enviva LP	Prosperity Ag & Energy Resources
AFS Energy Systems	Ernst Biomass	Rainforest Alliance
Alliance for Green Heat	Evoworld	Ray Albrecht
Alternative Energy Solutions International, Inc.	Forest Energy Corporation	Recast Energy
American Agriculture Movement	Fram Renewables	Reciprocal Energy Company
American Biomass	FutureMetrics	Renewable Energy Resources
American Boiler Manufacturers Association	Green-Power	Repreve Renewables
American Wood Fibers	Innovative Natural Resource Solutions	Resource Professionals Group
APEX	International Renewable Energy Technology Institute	Richmond Energy Associates, LLC
Bear Mountain Forest Products	Jackson Lumber Harvester Co	Rotochopper
Ben Larson	Jesse E. Lyman Pellets	Sandri Companies
BioBusiness Alliance of Minnesota	Kilwa Biomass	Seattle Steam Company
Biomass Briquette Systems	Klondike Energy Group	Sewall Company
Biomass Combustion Systems	Lignetics of Virginia	Skanden Energy
Biomass Commodities Corporation	Maine Energy Systems	State University of New York - ESF
Biomass Energy Laboratory	Maine Pellet Fuels Association	Tarm Biomass
Biomass Energy Resource Center	Marth	The Jordan Institute
Biomass Energy Works	Messersmith Manufacturing, Inc.	Trane - Ingersoll Rand
Biomass Engineering & Equipment	Minnesota Valley Alfalfa Producers	Twin Ports Testing
Bionera Resources Inc.	Missouri Corn Growers Association	University of Minnesota Duluth
Biowood Energy	National Network of Forest Practitioners	University of Minnesota Morris
Caluwe Inc.	New England Forestry Foundation	Vapor Locomotive Company
Cambride Environmental Technologies	New England Wood Pellet	Vecoplan
Carbonomics	New Horizon	Vermeer
Chip Energy	Northeast Mill Services	Vermont Sustainable Jobs Fund
Clean Power Development	Ochoco Lumber	Vermont Wood Pellet
ClearStak	PA Pellets	Viessmann
Compte-Fournier Inc	Pellergy LLC	Weis Environmental
Confluence Energy	Pelletco	Western Ag Enterprises
Control Labs	Pennsylvania Biomass Energy Association	Westervelt Renewable Energy
Corinth Wood Pellet	Plum Creek	Wilson Engineering Services
Cousineau Forest Products	Pratt & Whitney Power Systems - Turboden	Wisconsin Energy Conservation Corporation
Dejno's	Proe Power Systems	Woodmaster
Ebner Vyncke		Zilkha Biomass Energy



## 2012 BTEC Activities

BTEC has a record 100 members, stands strong with numerous biomass thermal initiatives at the state and federal levels - a reflection of BTEC's persistence and determination over several years.

### Key accomplishments in 2012:

- Concluded a major outreach effort supported by the U.S. Forest Service's Wood Education and Resource Center (WERC) that funded 14 webinars, 5 factsheets, 10 interviews and a informative slide show for public use
- Working on a project to better engage architects and engineers on biomass heating, supported by a grant from the U.S. Forest Service
- Helped draft S. 3352, an Investment Tax Credit (ITC) for highly efficient commercial and industrial biomass heating systems
- Working to include extension of the credit for residential biomass heating systems
- Focused on shaping the next Farm Bill
- Supporting regional activities, e.g. successful in including thermal energy in NH and MD's Renewable Portfolio Standard

Support BTEC's activities by joining now:

<http://www.biomassthermal.org/membership/join.asp>



## Dallas Tonsager



- USDA Under Secretary
- Opening Remarks



## Todd Campbell

- USDA Rural Development,  
Alternative Energy Advisor to  
the Under Secretary
- Introduction

# Advancing Biomass Heat and Power for Strong Rural Communities

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**Todd Campbell**  
Alternative Energy Advisor  
USDA Rural Development

**Biomass Thermal Energy Council Webinar**  
*Sept 14<sup>th</sup> , 2012*



Committed to the future of rural communities.

# Obama Administration Blueprint for a Secure Energy Future

**“We can’t have an energy strategy for the last century that traps us in the past. We need an energy strategy for the future – an all-of-the-above strategy for the 21st century that develops every source of American-made energy.”**

**-President Barack Obama  
March 15, 2012**



# Executive Order -- Accelerating Investment in Industrial Energy Efficiency and Combined Heat and Power

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- Instead of burning fuel in an on site boiler to produce thermal energy and also purchasing electricity from the grid, a manufacturing facility can use a CHP system to provide both types of energy in one energy efficient step
- Accelerating these investments in our Nation's factories can improve the competitiveness of United States manufacturing, lower energy costs, free up future capital for businesses to invest, reduce air pollution, and create jobs.

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# Executive Order -- Accelerating Investment in Industrial Energy Efficiency and Combined Heat and Power

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- Coordinate and strongly encourage efforts to achieve a national goal of deploying 40 gigawatts of new, cost effective industrial CHP in the United States by 2020
- Convene stakeholders, through public workshops, to develop and encourage the use of best practice State policies and investment models that address multiple barriers to investment in industrial energy efficiency and CHP
- Utilize relevant Federal authorities and resources, including technical/financial analysis to encourage investment in industrial energy efficiency and CHP

## America's Great Outdoors listening session in Concord, NH

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**“...markets for woody biomass will provide further incentives for landowners to maintain forests. These markets can provide value for small diameter timber and thereby bolster forest restoration efforts.”**

**- Secretary Vilsack  
August 2010**





# Wood to Energy – Forest Restoration Economy

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- Project development and support for national bioenergy development, pool efforts to foster/demonstrate success
- Strategic technical assistance for bioenergy, economic development, and natural resources
- Develop program compendium for financial and technical assistance that promote woody biomass projects
- Joint education and outreach for staff and stakeholders
- Develop comprehensive report on opportunity/barriers

# Rural Energy for America Program (REAP)

- Impact of REAP Promoting Biomass Energy 2009-2011
  - 158 biomass awards
  - Over \$29M in grants, \$56M in loan guarantees
  - Leveraged ~\$320M in total project development
  - \$1.18M to 55 biomass feasibility study grants



# Farm Bill Energy Programs

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- For FY 2012 Rural Energy for America Program (REAP) funding was limited to ~\$25M, nearly 60% reduction in funding
- Biomass Crop Assistance Program (BCAP) 2012 funding limited to \$17 million available, a reduction of 96 percent from funding levels available last spring
- Farm Bill Expires September 30, 2012

## Other Rural Development Programs

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- **Business and Industry Loan Program**
  - Any rural business
- **Community Facilities**
  - For essential community facilities
- **Electric Loan Program**
  - Utility scale projects
- **Value Added Producer Grant**
  - Harvesters must apply as IPs with 100% ownership by Harvesters

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**Thank You!**  
**Questions and Discussion**

**[todd.campbell@osec.usda.gov](mailto:todd.campbell@osec.usda.gov)**



**Lyn Millhiser**

- USDA Rural Development, Management and Program Analyst

**Dave Atkins**

- USDA Forest Service, Woody Biomass Program Manager

- **Program Background**

# Cooperative Programs



## Value-Added Producer Grant Program

### Opportunities for Forestry Trades



# **PURPOSE**

- **ASSIST** agricultural producers (including *Harvesters*) to enter into value-added activities related to the processing and marketing of bio-based agricultural products
- **SUPPORT** expansion of markets for, and increased financial returns to, the agricultural producer-owners of the venture
- **STRENGTHEN** the rural economy



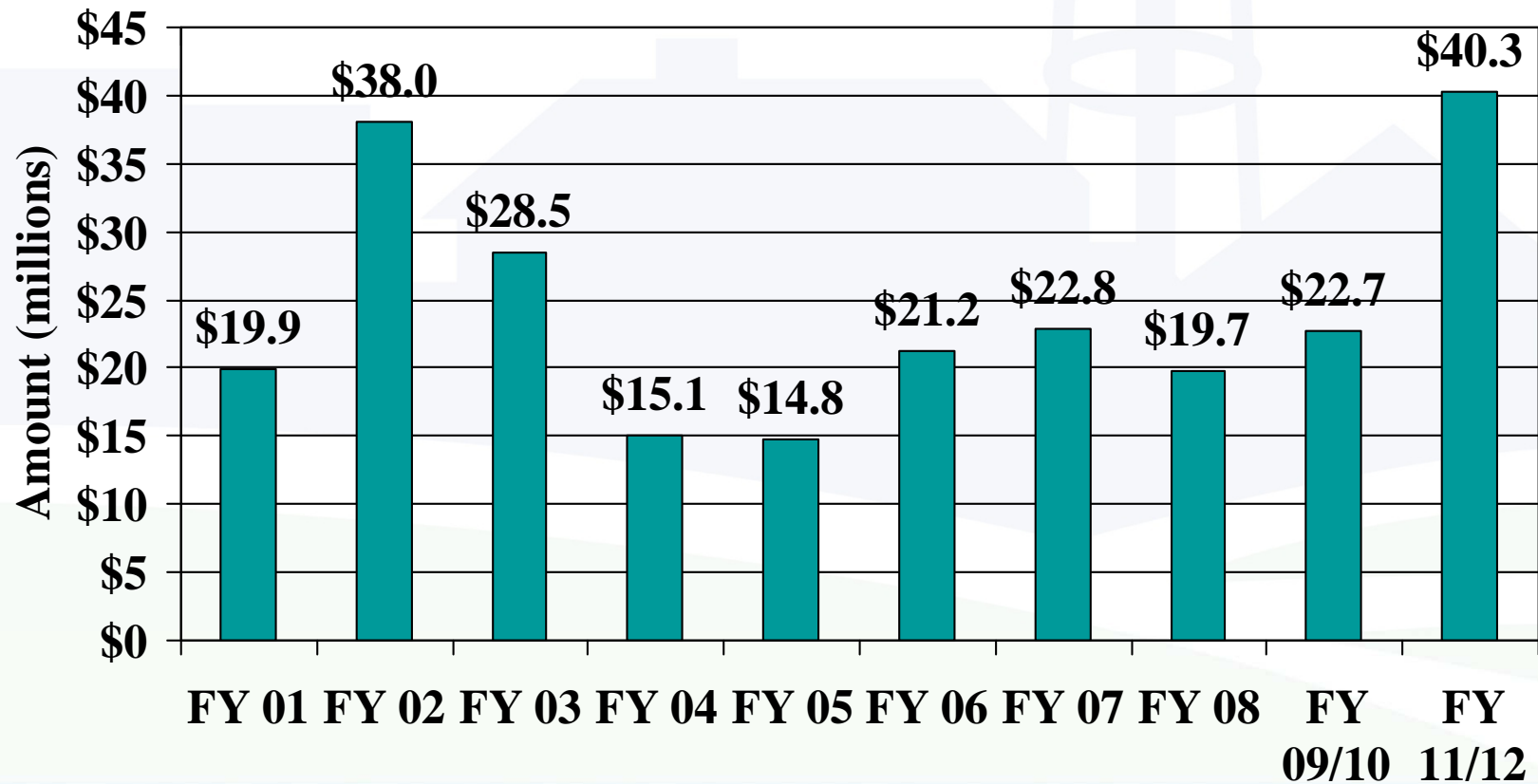


# **Funding Priority**

- **Total Funds FY 2012 approximately \$14 million**
- **Reserved Funds**
  - 10% **Beginning (BFR) and Socially Disadvantaged Farmers or Ranchers (SDFR)**
  - 10% **for Mid-Tier Value Chain Projects**
- **Priority Points**
  - BFR\*, SDFR\*, Small/Medium Family Farm or Ranch (SMFF), Farmer or Rancher Cooperative (COOP), Mid-Tier Value Chains (MTVC) – see Appendix C in Application Template**
- **Nationally Competitive Program - scored by State Office and Independent Reviewers**
- **Demand for Funds Annually Exceeds Availability**



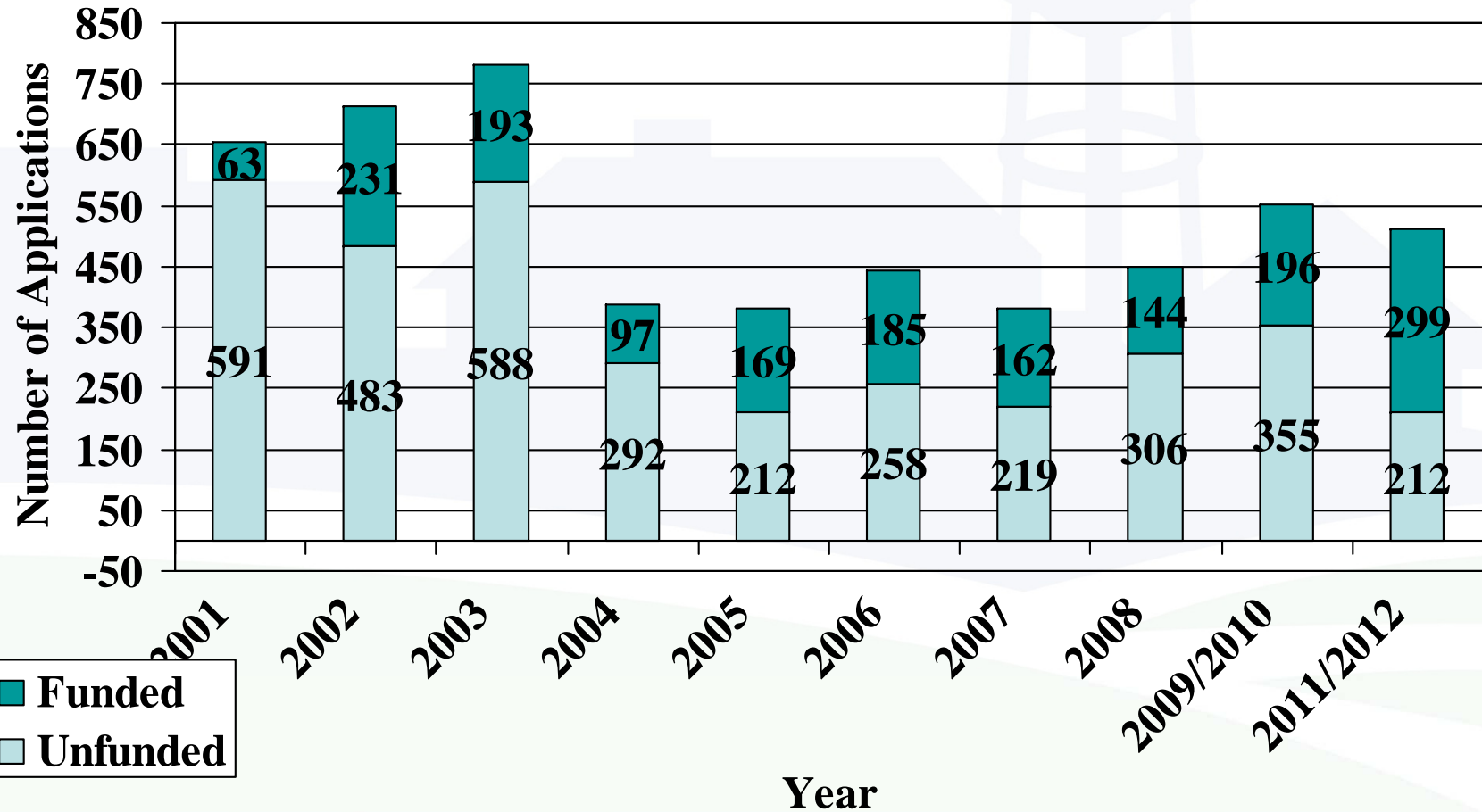
# Funds Awarded from Inception



Committed to the future of rural communities.

Year

# Applications Received and Funded



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# Important Dates

August 15, 2012	Notice of Funding Availability published in Federal Register
October 1, 2012	Preliminary Review submission for State Office feedback
October 15, 2012	Application Deadline – due to State Office
November 15, 2012	State Office eligibility determinations due to National Office, and National Office quality control reviews begin
December 28, 2012	State Office and Independent Reviewer scores due to National Office for ranking
January 18, 2013	Anticipated Announcement of Awards by RBS Administrator / LAPAS



# Resources

- Program Website: [www.rurdev.usda.gov/BCP\\_VAPG.html](http://www.rurdev.usda.gov/BCP_VAPG.html)
  - Interim Rule, a.k.a. 7 CFR 4284-J, effective 3/25/2011
  - Notice of Funding Availability dated 8/15/2012
  - Application Template – electronic PDF for tailoring
  - Links to required Federal Forms
- State Office Staff:
  - 1-800-670-6553, then press “1”
  - [www.rurdev.usda.gov/StateOfficeAddresses.html](http://www.rurdev.usda.gov/StateOfficeAddresses.html)
- National Office Staff:

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# Available Grants

- **Planning**: maximum \$100,000
  - economic planning for a value-added venture
  - third-party feasibility study
  - marketing and/or business plan
- **Working Capital\***: maximum \$300,000
  - pay operating expenses directly related to the processing and/or marketing of the VA product
- **Matching Funds**: Requires 1:1 match\*\* (must certify and verify matching funds at time of application)

# ☺ Eligible Use of Funds ☺

- **Planning**: Feasibility and Market Study, development of Business Plan
- **Working Capital**: (for VA processing/marketing costs)
  - non-owner/non-family member labor to process the VA product (mill operations or office management)
  - oil and gas to run mill processing equipment(forklifts, skytracks, saws)
  - utility fees for kiln dried lumber or other processing activities
  - marketing/advertising /signage/trade shows
  - accounting system or office supplies for VA processing/sales
  - transportation costs to bring VA product to market
  - 3<sup>rd</sup> party processing fees
  - Short-term rental of facility or equipment for processing VA product
  - 3<sup>rd</sup> party inventory up to 49% project scale\*
  - legal counsel related to VA project

# **Ineligible Use of Funds**

- Plan, repair, rehab, acquire or construct a building
- Purchase, lease purchase or install fixed equipment
- Repair or spare parts for equipment
- Purchase or repair vehicles
- Purchase land
- Research and Development
- Fund architectural or engineering design work
- Fund expenses related to agricultural production, labor for harvesting the crop, or delivery of raw commodity to a processing facility
- Pay owner or immediate family member salaries or wages
- Pay for goods or services from a person or entity with a COI\*
- Fund industry-wide feasibility studies



# Applicant Eligibility

- **Agricultural Producer**: An individual or entity directly engaged in the production of an agricultural commodity; or that has the legal right to harvest an agricultural commodity.
- **Direct Engagement**: Primary responsibility for labor, management and field operations; or ownership and financial control of the agricultural operation.
- **Agricultural Commodity**: Among others, includes unprocessed products of nurseries and forests, that the IP has cultivated, raised or harvested with legal access rights.

# Applicant Types

- Independent Producer\*
- Agricultural Producer Group
- Farmer or Rancher Cooperative
- Majority-Controlled Produced Based Business

# Independent Producers

- Individual agricultural producers or entities solely owned and controlled by agricultural producers
- Must produce and own more than 50% of the agricultural commodity to which value will be added\*
- Must maintain ownership from raw through the production and marketing of the VA product\*\*
- May NOT produce the agricultural commodity under contract for another entity that owns the commodity
- May not contract out the production of the agricultural commodity

# Independent Producers

- **Steering Committee**: Identified producers in the process of organizing a legal entity that will supply 51%+ agricultural commodity for project and form eligible legal entity if funded.
- **Harvester**: Has legal right to harvest 51%+ of the *primary* agricultural commodity for project.

# Harvesters

- Must harvest *primary* agricultural commodity
- May not merely glean, gather or collect *residual* commodities that result from an initial harvesting or production of a primary agricultural commodity
- EX: A logger who has the legal right to access and harvest whole trees from the forest that are then processed into wood chips, pellets, mulch, lumber, paneling, flooring , furniture (as a change in physical state)

# Timber Harvester V. Farmer

- Timber Harvester: One who has the legal right to harvest timber from the forest but does not cultivate or raise trees. Deemed an Agricultural Producer that does not operate a Farm or Ranch\* (unless nursery or other grower)
  - logger
- Farmer: One who cultivates, raises/grows and sells trees on owned or leased land; demonstrates direct engagement in the production of the agricultural commodity
  - nursery grower or Christmas tree grower

# Harvester

- Must apply as an Independent Producer
- Not eligible for Reserved Funds or Priority Points for BFR, SDFR, SMFF, Farmer COOP because Harvesters are not Farmers
- May request Reserved Funds or Priority Points for MTVC, if applicable

# VA-Product Eligibility

- Five VA Methodologies

- Change in Physical State\*
- Produced in a manner that Enhances Value
- Product Physical Segregation
- On-Farm Renewable Energy Generation
- Local Foods

- Customer Base is expanded and a Greater Portion of the Revenues derived from the marketing/processing of the VA product returns to the producers of the commodity



# Forestry Product Examples

- Harvest whole trees from forest and produce VA products:
  - wood chips
  - pellets
  - mulch
  - lumber
  - bio-energy waste compost
  - paneling
  - flooring
  - furniture
  - bio-energy

# Recent Project Examples

- New Mexico: \$49,999 WC: harvested timber milled to vigas (rafters/roofbeams)
- Wisconsin: \$300k WC: harvested timber to kiln dried lumber
- Wisconsin: \$300 WC: harvested timber and waste products to shredded bark and wood chips for mulch and landscaping
- Texas: \$95K P: Economic planning to develop bio-energy feedstock and compost waste from mesquite and cedar trees for institutional customers

# Other Requirements

- DUNS # and SAM.gov Registration
- Various Federal Forms
- Complete Application with Applicant and Project Eligibility, Work Plan and Budget and Supporting Documentation
- Reserved Funds and Priority Point Documentation
- Evaluation Criteria for Performance and Proposal Elements
- Matching Funds

## Q & A

Ask questions using the **Questions Panel** on the right side of your screen.

The webinar slides and recording will be made available after today.

### **Contacts:**

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**Contact your state office for further questions.**



**Thank You!**