

Southeast Dairy Business Innovation Initiative (SDBII)

Specialty Processing Equipment Grant

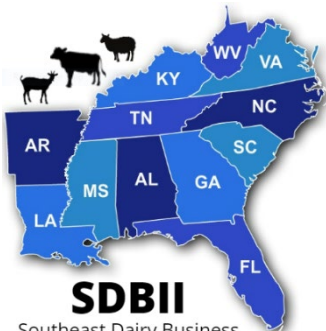
For Value-Added Dairy Businesses in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, and Puerto Rico

2023 Grant Request for Proposal

Application Deadline:

October 16, 2023

at 3:00pm/ET



University of Tennessee Institute of Agriculture
 Animal Science Department
 244 C.E. Brehm Animal Sciences Building 2506
 River Drive, Knoxville, TN 37996
sdbii.tennessee.edu



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Important Dates and Webinar Information:

Applications must be received by: **October 16, 2023, at 3:00 p.m.**

Applications will not be accepted after 3:00 p.m. on October 16, 2023

After August 15, a recording of an informational grant webinar will be available [here](#).

Questions related to the grant or can be directed to Shep Stearns

Email : sstearn1@utk.edu

Phone : (865) 974-0991

Background on the Southeast Dairy Business Innovation Initiatives Program

The Southeast Dairy Business Innovation Initiatives (SDBII) program is based at The University of Tennessee Institute of Agriculture's Animal Science Department. Key program collaborators such as the Center for Profitable Agriculture (CPA), NC State, the University of Kentucky, Kentucky Dairy Development Council (KDDC), and others, offer guidance and support to the program. SDBII's mission is to spur growth for dairy producers and processors in the Southeast by helping them modernize and diversify their businesses.

SDBII provides dairy businesses in the Southeast with a variety of free and low-cost instructional resources. These include an annual value-added dairy conference, a variety of workshops on key industry topics, and decision-making tools that help dairy professionals make informed decisions as they plan for growth.

The program is funded by the Agricultural Marketing Service (AMS) division of the United States Department of Agriculture (USDA). In addition to the technical assistance and educational resources provided through SDBII, 50% of the program's funding is awarded in grants made directly to dairy businesses to assist them in becoming more profitable. As part of its mandate to increase innovation in dairy processing, SDBII makes grant awards to projects that focus on a) diversifying dairy product markets to reduce risk and develop higher value uses for dairy products; b) promoting business development that diversifies farmer income through processing and marketing innovation; and c) encouraging the use of regional milk supply.

Grant Description

The Specialty Processing Equipment Grant provides reimbursement funds to dairy businesses located in the Southeast. Eligible states include Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia, as well as Puerto Rico. Applications may be submitted by permitted dairy businesses that operate or endeavor to operate a value-added dairy enterprise. For the purposes of evaluating eligibility, dairy businesses are considered to include companies that are engaged in the production or processing of milk for commercial consumption. Eligible businesses may be involved in the production or processing of milk from cattle, sheep, goats, water buffalo, camels, and other dairy species. Projects that involve investments related to the sale of raw milk for human or pet consumption are not allowed. Proposed projects must have the potential to diversify dairy product markets to reduce risk and develop higher value uses for the milk supply in the Southeast.

Applicants to the Specialty Processing Equipment Grant may apply for funding to undertake projects that result in increased efficiency, capacity, or new processing capabilities in an existing or proposed dairy processing facility. SDBII grants are offered annually. Applicants must select one grant category to apply to per grant cycle. Applicants may not apply to two grants that are offered in the same cycle (e.g., two grants with the same due date). Applicants who have been awarded one or more grants in previous cycles of the program may continue to apply and receive funding. **However, previous grants in the same category must be deemed complete by SDBII prior to submitting a new application.**

Established dairy processors or dairy businesses that have conducted in-depth planning on entering the value-added dairy industry are invited to apply for funds to purchase specialty processing equipment. Applicants may also apply for funding for consultant services (for marketing etc.), installation costs, and supplies that support the project. However, the focus of the project must be the purchase of processing equipment that will support new processes and facilitate diversification or increased efficiency in production of finished dairy products.

Examples of eligible projects:

- *A project to fund the purchase of a vat pasteurizer to create a new line of flavored milks.*
- *A project to fund the purchase of a cream separator to produce cream products.*
- *A project to fund the purchase of a new cheese drain table to increase capacity of cheese production.*

Award Funding Available

\$300,000 maximum award; \$1.92MM is available to award. At least 6 grants will be awarded. The Specialty Processing Equipment Grant is competitive, and only the highest quality grants will be selected for an award of funding.

Match Requirement

Applicants must provide a cash match of at least 25% of the requested grant funds. For instance, a grant application requesting \$100,000 would require \$25,000 in matching expenses. Please note that a 25% match on requested funds is the same as 20% of the total project cost. To illustrate this, we can see that \$25,000 (the match) equals 25% of \$100,000 (the request), and 20% of \$125,000 (the total project cost). In some cases, it is easier to calculate the required match against the total project cost rather than against the request amount. Matching funds must be drawn from allowable grant expenses and therefore may not include costs for construction or labor from personnel employed by the grant applicant.

Funding Priorities

The Southeast Dairy Business Innovation Initiative (SDBII) program was developed to support dairy businesses in the development, production, marketing, and distribution of dairy products. Projects that have address the following areas will be prioritized for funding:

- 1) Value chain and commodity innovation and facility and process updates for dairy processors.
- 2) Product development, packaging, and marketing of dairy products.

Eligible Applicants

In order to be eligible, applicants must meet all of the following criteria: (1) operate an existing, permitted dairy business in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, or Puerto Rico (2) has a project that meets the following goals: (2a) diversifies dairy product markets to reduce risk and develop

higher value uses for milk supply, (2b) promotes business development that diversifies farmer income through processing and marketing innovation, (2c) encourages the use of regional milk supply; and (3) has no immediate family members, i.e. parents, siblings, spouse, or children, working as an affiliated staff or faculty member with the SDBII, or serving on the grant review committee.

Applicants who meet one or more of the following will be considered more competitive:

- Entities that received direct technical assistance through the SDBII;
- Dairy farms and dairy businesses with limited access to other forms of assistance;
- Employee-owned dairy businesses;
- Cooperatives;
- Dairy businesses that seek to create dairy products that add substantial value in processing or marketing, such as specialty cheeses

Previous awardees to the Specialty Processing Equipment Grant may reapply. Past awards and corresponding project completion will be taken into consideration when evaluating applications.

USDA-AMS - Allowable and Unallowable Costs

The following summarizes some of USDA-AMS allowable and unallowable costs. The categories listed below were selected based on the most popular grant requests during previous cycles.

Final decisions regarding eligibility will be based on the AMS published list of allowable/unallowable costs found in the link below.

<https://www.ams.usda.gov/sites/default/files/media/AMSGrantsTermsandConditions.pdf>

Building & Land – Construction

Unallowable for the acquisition of buildings, facilities, or land or to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations of an existing building or facility (including site grading and improvement, and architecture fees). This also includes construction and construction-related materials.

Allowable for rental costs of land and building space. However, lease agreements to own (i.e., lease-to-own or rent-to-own) are not allowable. The lease or rental agreement must terminate at the end of the grant cycle.

Consultant Costs/Professional Services

Allowable subject to limitations below. Contractual/consultant costs are expenses associated with purchasing goods and/or procuring services performed by an individual or organization other than the recipient in the form of a procurement relationship.

Allowable for contractor/consultant employee rates that do not exceed the salary of a GS-15 step 10 Federal employee in the area. This does not include fringe benefits, travel, indirect costs, or other expenses. <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2022/general-schedule/>

Equipment

Unallowable for acquisition costs of general-purpose equipment or lease agreements to own (i.e., lease-to-own or rent-to-own).

Unallowable for farm, gardening, and production activities, materials, supplies, and other related costs including but not limited to soil, seeds, shovels, gardening tools, greenhouses, and hoop houses.

Allowable for rental costs of general-purpose equipment. Vehicles may be leased, but not purchased. The lease or rental agreement must terminate at the end of the grant cycle.

Allowable for acquisition costs and rental costs of special purpose equipment provided specific criteria are met: Acquisition costs may include installation costs. However, installation costs (electricity, piping, water, etc.) are not eligible on their own.

Definitions

General Purpose Equipment means equipment that is not limited to technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, printing equipment, and motor vehicles.

Special Purpose Equipment is equipment used only for research, scientific, or technical activities (i.e., can only be used for activities directly related to dairy production).

Supply Items are defined as tangible property that is necessary to the completion of the proposed project with a per-unit acquisition cost less than \$5,000. These items may be general purpose or specialty.

Salaries & Wages

Unallowable Unallowable as a reimbursable expense or source of matching funds for all grant related activities.

Sales & Marketing Costs

Unallowable for costs designed solely to promote the image of an organization, general logo, or general brand.

Unallowable for costs for promotion of specific venues, tradeshow, events, meetings, programs, conventions, symposia, seminars, etc. that do not align with the legislated purpose of the grant program.

Unallowable for promotional items, swag, gifts, prizes, memorabilia, and souvenirs.

Allowable with conditions for projects funded under "Farmers Market and Local Food Promotion Program" (FMLFPP) for marketing activities directly related to the funded project. Promotional

items include point-of-sale materials, promotional kits, signs or streamers, automobile stickers, table tents, and place mats.

Allowable for costs designed to promote products that align with the purpose of the grant program.

Application Requirements

A complete application includes:

1. Completion of the Grant Narrative.
2. Completion of the Budget Workbook.
3. Submission of supplemental materials including business plans, letters of support, conceptual drawings, estimates/quotes, and other budget justification items which can be added as an attachment when you submit your application to the grant email address.

Submission Process

All Specialty Processing Equipment Grant applications must be submitted **via the form available [here](#)** by 3pm/ET on October 16, 2023. **If no confirmation response is received from the grants email, then your application HAS NOT BEEN RECEIVED.**

The grant application and budget template will be made available by August 4, 2023. The documents will be available for download at [here](#).

Evaluation Criteria and Process

Only complete applications (as outlined above) which are submitted on time, will be evaluated. Applications will be reviewed by a committee of industry experts that are not employed by the SDBII program. Program faculty and staff will not evaluate or score applications. If you have questions about the application process or would like feedback on a proposed application, please contact Shep Stearns (sstearn1@utk.edu). Feedback will not be available within two days of the deadline. Please begin work on your application and submit questions as early as possible.

To receive high scores from the review committee, the Grant Narrative should fully answer the questions clearly and directly. Project applications should clearly present how the project will be accomplished and undertaken within a reasonable timeline.

Supplementary documents, such as quotes, conceptual drawings, letters of support (LOS), and other documentation that supports the budget and project narrative, are needed to ensure your application is competitive. All proposed purchases that are part of the project should be accompanied by a quote or estimate. Equipment purchases (in excess of \$5,000) should be accompanied with at least one quote.

Application Scoring Criteria

Applications will be reviewed by a committee of experts in dairy farm and food production.

General scoring criteria are listed below. The scoring rubric used by grant reviewers is available [here](#).

- Grant Application (5 possible points)
 - Is the project description thorough and well-organized?
- Goals Alignment (10 possible points)
 - How well does the project focus on at least one of the program alignment areas?
 - Has the applicant participated in SDBII technical assistance programs?
- Summary (20 possible points)
 - Does the project result in improved profitability for the applicant?
 - Does the project result in improved efficiency or capacity for the applicant?
 - Does the project result in a new process or product?
 - Does the project support the retention or addition of jobs?
 - Does the project support growth in the dairy supply chain?
- Work Plan (20 possible points)
 - Has the applicant considered critical issues for a dairy business?
 - Is the timeline reasonable and achievable within the grant period?
 - Are the benchmarks for completing the project clear and detailed?
- Business Impact (20 possible points)
 - Does the project include a projection on how the investment in processing updates will pay off over time?
 - Are the costs appropriate given the expected benefit?
 - Is the project a logical improvement given the business' existing infrastructure?
- Budget (20 possible points)
 - Is the total amount justifiable to achieve activities and outcomes?
 - Is each budget item necessary to achieve the reported outcome?
 - Are costs reported reasonable?
- Other Considerations (5 possible points)
 - Is there any industry-wide benefit to the project?
 - Does the applicant take a unique approach to the project?
 - Can the project serve as a model for other dairy businesses to learn from?

Award Recipient Responsibilities

Applicants who receive funding for proposed projects will be responsible for the following:

1. Signing an agreement with the University of Tennessee Office of Sponsored Projects (OSP).
2. Completing the project within the contractual time frame.
3. Submitting a final project report in the required format per the executed contract.
4. Submitting a final financial report itemizing actual expenses. Copies of invoices and proof of payment must be submitted with reimbursement requests.
5. Agreeing to site inspection once the project is complete.
6. Other requirements as outlined in the grant contract. Grantees will have additional training on requirements before the contracts are executed.

If you are awarded a grant, failure to provide the necessary information to establish an agreement or failure to sign and return a complete grant contract by the deadlines provided at the time of contract issuance will

result in the rescindment of the award and the reallocation of funds back to the program. The award recipient may reapply in future grant cycles, but there is no guarantee they will be awarded funds in a future round.

Reporting Requirements

The level of success that award applicants demonstrate in the performance of their responsibilities in completing reporting and other obligations in a timely manner will be considered in future grant award submissions. Applicants who receive a grant award will be required to report on the progress of their project 6 months after the execution of their contract with The University of Tennessee. Award recipients will also be required to provide a project completion report within 60 days of the conclusion of their 12-month grant award period. Equipment funded through the Specialty Processing Equipment Grant should be fully installed, in operational condition, and in use. Submission of receipts for reimbursement must be completed by the end of the grant period. Receipts submitted after the grant period is complete will not be reimbursed. A final report on the project is due 12-months after the grant period ends.

To aid award recipients in completing their reporting responsibilities, a reporting template will be shared with them through email. Reporting areas will include the following: a description of the project intent, summary of the project accomplishments and outcomes, dollar amount of increase in sales, increase in markets reached, new products or processes developed, and jobs retained or created. In addition, there should be other insights from project execution, including, wherever possible, industry-wide benefits. Note: The University of Tennessee reserves the right to modify reporting requirements during the course of the project.

Equipment Auditing and Disposition

Equipment purchased as part of the Specialty Equipment Investment Grant with a per unit fair-market value of \$5,000 or more will be subject to an in-person audit on a yearly basis for the duration of the equipment's useful life. Applicants wishing to dispose of equipment pieces subject to audit must first contact SDBII personnel in order to properly adhere to USDA policy with regard to disposition of equipment purchased with grant funding.

Grant Narrative

The information provided below for the Grant Narrative is for informational purposes only. The grant application will be available starting August 4, 2023. When the application becomes available applicants can access it [here](#). The Grant Narrative and Budget sections *must* be completed and submitted via the grant submission [form](#) by 3:00pm/ET on October 16, 2023.

The following questions will be asked on the Specialty Processing Equipment Grant application. It is recommended that you type your answers using Microsoft Word, or other word processing application, and then copy and paste your final answers into the spaces provided on the application.

Please answer the following questions regarding the project for which you are applying.

1. **Goal Alignment and Eligibility** – Please identify which of the following goals your application supports; you may select more than one. It is also suggested that applicants review the scoring criteria (see above) before filling out the application.
 - Diversify dairy product markets to reduce risk and develop higher value uses for dairy products
 - Promote business development that diversifies farmer income through processing and marketing innovation
 - Encourage the use of regional milk supply
 - Value chain and commodity innovation and facility and process updates for dairy processors
 - Product development, packaging, and marketing of dairy products
 - Past participation in Southeast Dairy Business Innovation Initiative (SDBII) technical assistance programs.
2. **Project Summary** – Describe your project and its intended outcomes. Be sure to include details regarding the existing business, new value-added products or processes developed, job(s) created or retained, expected increases in sales volumes, expected expansion of export endeavors and any industry-wide benefits at the local or regional level. State how you decided to pursue this project and provide an outline of the outcomes you are trying to achieve. Explain how you think the grant would benefit your existing business. As a reminder, services, installation costs, and equipment already purchased and acquired at the time of application cannot be reimbursed in this grant program.
3. **Work Plan and Deliverables** – Describe the major steps and activities needed to complete your project and achieve each outcome noted in your Project Summary. Provide details on whether you currently have a permitted dairy business enterprise(s). Provide an estimated completion date for each step. Describe how each of the items to be funded through this grant will contribute to the overall project.
4. **Business Fundamentals** – Please use the space below to give projections on how the processing investments included in the project will pay off over time and justify project costs. Pay-back opportunities could include increased processing capacity, ability to produce higher value products, decreased labor costs, eliminating waste, (etc.). Explain the logic behind making these improvements given your existing business infrastructure.
5. **Additional Information** – Use this space to explain anything additional regarding your project that you feel reviewers should know and has not been covered by the other questions. If any quotes for equipment or services are missing, please explain why here.

6. **Supplemental Documents** – Applicants to the **Specialty Processing Equipment Grant** are required to submit at least two letters of support from collaborators (lenders, customers, partner organizations etc.). Submission of a business plan is encouraged for applicants requesting up to \$150,000. Submission of a business plan is required for applicants proposing a project costing in excess of \$150,000. Business plans should be recently updated (within the last three years), be relevant to the proposed project, and cover the one-year grant period projected to start January 1, 2023. All budget items (including installation costs) should be supported with at least one quote from a reputable vendor. Budget items costing more than \$5,000 should be supported with at least one quote.

Budget Form

All applications must include a completed and detailed budget workbook. The budget workbook is available [here](#).