

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

2026 Grant Request for Proposal

Application Deadline

September 23, 2026 at 5:00 p.m. ET

University of Tennessee Institute of Agriculture
Center for Dairy Advancement and Sustainability
244 C.E. Brehm Animal Sciences Building,
2506 River Drive, Knoxville, TN 37996
sdbii.tennessee.edu



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Webinar Information

SDBII will host a live virtual information session on August 4th from noon-1pm/ET. You can register to attend the [HERE](#). You can also view a recorded information session on the [Specialty Processing Equipment Grant](#) page.

Questions about the webinar can be directed to:

- Shep Stearns
 - Email: sstearn1@utk.edu
 - Phone: (860) 595-6053

Background on the Southeast Dairy Business Innovation Initiative

The Southeast Dairy Business Innovation Initiative (SDBII) is based at the University of Tennessee Institute of Agriculture's Center for Dairy Advancement and Sustainability. Key program partners, including the Center for Profitable Agriculture (CPA), NC State University, the University of Kentucky, the Kentucky Dairy Development Council (KDDC), and others, provide guidance and support. SDBII's mission is to help dairy producers and processors across the Southeast grow by modernizing and diversifying their businesses.

SDBII offers dairy businesses in the Southeast a range of free and low-cost educational resources, including an annual value-added dairy conference, workshops on key industry topics, and decision-making tools to help dairy professionals plan for growth.

The program is funded by the Agricultural Marketing Service (AMS) division of the U.S. Department of Agriculture (USDA). In addition to technical assistance and educational resources, at least 50% of the program's funding goes directly to dairy businesses through grants that help them become more profitable or expand local and regional food opportunities. Grant awards support projects that:

- 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; and
- Encourage the use of regional milk production.

Grant Description

The Specialty Processing Equipment Grant reimburses dairy businesses located in the Southeast for eligible project costs. 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 (processor or dairy farm) that operate, or have credible plans to operate, a dairy processing enterprise. Eligible businesses may process milk from cattle, sheep, goats, water buffalo, camels, or other approved dairy species in the United States. Projects involving the sale of raw milk or raw dairy products (with the exception of cheeses aged for more than 60 days) for human or pet consumption are not eligible.

This grant funds processing-related activities only. Costs associated with milking animals or other on-farm dairy production activities, such as milking equipment, parlor upgrades, herd health, feed, or other farm-level operations, are not eligible for funding. Raw milk storage may be funded only when it is a necessary part of a broader project that expands processing capacity or enables production of a new finished dairy product. Funding a stand-alone raw milk storage tank, with no connection to a processing expansion, is not allowed.

Proposed projects must have the potential to diversify dairy product markets, reduce risk, and develop higher-value uses for the milk supply in the Southeast.

SDBII grants are offered annually. Applicants must choose one grant category per cycle and may not apply to two grants with the same due date. Applicants may not receive more than \$700,000 total across all awards within a three-year period, including the amount requested in the current round. Applicants with a currently open grant in the Farm Infrastructure Improvement, Precision Technology Management, or the Specialty Processing Equipment Grant are not eligible to apply.

Applicants may request funding for specialty processing equipment, along with related consultant services (such as marketing support), installation costs, and supplies. However, the project's primary focus must be the purchase of processing equipment that supports new processes or increases efficiency in producing finished dairy products.

Examples of eligible projects:

- Purchasing a vat pasteurizer to create a new line of flavored milks.
- Purchasing a cream separator to produce cream products.
- Purchasing a new cheese drain table to increase cheese production capacity.

Funding Priorities

SDBII supports dairy businesses in the development, production, marketing, and distribution of dairy products. Applicants may propose projects that increase efficiency, capacity, or processing capability at an existing or proposed dairy processing facility. Projects addressing the following areas will be prioritized:

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

Award Funding Available

Maximum award: \$150,000. A total of \$1.0 million is available. This is a competitive grant, and only the highest-quality applications will be selected for funding.

Match Requirement

Applicants must provide a cash match of at least 25% of the amount requested from SDBII. Calculate your match based on the grant amount you are requesting for eligible expenses only, not your total project cost.

For example, a request for \$150,000 requires a minimum match of \$37,500 (25% of \$150,000), for a total project cost of at least \$187,500.

Keep in mind that your total project cost is not capped, so it can end up well above the maximum award amount for this grant category. Only the required match is tied to a percentage. For that reason, always calculate your match from the amount you are requesting, not from your total project cost, to avoid over- or under-estimating what's required.

Matching funds must come from allowable grant expenses and may not include construction costs, building costs, land or building purchases, or labor performed by the applicant or their personnel.

Eligible Applicants

This grant is intended for existing or potential dairy processors, that is, businesses that process (or have credible, documented plans to begin processing) milk into finished dairy products. It is not intended for farm-level production activities. To be eligible, applicants must meet all of the following criteria:

1. Operate an existing, permitted dairy processing business (or have a documented feasibility study outlining credible plans to establish one) in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, or Puerto Rico.
2. Have a project that meets the following goals: (a) diversifies dairy product markets to reduce risk and develop higher-value uses for the milk supply; (b) promotes business development that diversifies farmer income through processing and marketing innovation; and (c) encourages the use of regional milk production.
3. Have no immediate family members (parents, siblings, spouse, or children) working as affiliated staff or faculty with SDBII.
4. Have no open grants in the Farm Infrastructure Improvement Grant (FIIG), the Precision Technology and Management Grant (PTMG), or a previous Specialty Processing Equipment Grant (see Prior and Concurrent Grant Restrictions below).

Prior and Concurrent Grant Restrictions

Applicants with an open grant in the Farm Infrastructure Improvement Grant (FIIG), the Precision Technology and Management Grant (PTMG), or a previous Specialty Processing Equipment Grant (SPEG) are not eligible to apply for a Specialty Processing Equipment Grant in the current round. A grant is considered open until all invoices have been submitted and, at minimum, the six-month performance report has been submitted via Foundant. Applicants with an open Dairy Business Planning Grant remain eligible to apply.

Businesses that receive a Specialty Processing Equipment Grant in this round will not be eligible to apply for the Farm Infrastructure Improvement Grant, the Precision Technology and Management Grant, or the Specialty Processing Equipment Grant during the 2027 grant cycles.

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

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

- Dairy businesses that focus on creating dairy products from raw milk from their own operation or purchased directly from another farm source in the Southeast region.

USDA-AMS Allowable and Unallowable Costs

Below is a summary of some of USDA-AMS's allowable and unallowable costs, based on the categories requested most often in previous grant cycles. Final eligibility decisions are based on the full AMS list of allowable and unallowable costs, available at:

[USDA-AMS Grant Terms and Conditions](#)

Buildings & Land: Construction

Not allowed: acquiring buildings, facilities, or land; or making additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to an existing building or facility (including site grading, improvements, and architecture fees). Construction and construction-related materials are also not allowed.

Allowed: rental costs for land and building space. Lease-to-own or rent-to-own agreements are not allowed, and any lease or rental agreement must end by the close of the grant cycle.

Consultant Costs & Professional Services

Allowed, subject to limitations. Contractual and consultant costs cover goods purchased or services performed by an individual or organization other than the recipient.

Consultant and contractor rates may not exceed the salary of a GS-15, Step 10 federal employee in the applicant's area (this excludes fringe benefits, travel, indirect costs, and other expenses). See the federal General Schedule pay tables for current rates:

[OPM General Schedule Salaries & Wages](#)

Equipment

Not allowed: acquisition costs for general-purpose equipment, or lease-to-own/rent-to-own agreements. Also not allowed: farm, gardening, and production activities, materials, or supplies, including (but not limited to) soil, seeds, shovels, gardening tools, greenhouses, and hoop houses.

Allowed: rental costs for general-purpose equipment. Vehicles may be leased, but not purchased, and any lease or rental agreement must end by the close of the grant performance period.

Allowed: acquisition and rental costs for special-purpose equipment that meets specific criteria. Acquisition costs may include installation, but installation costs (electricity, piping, water, etc.) are not eligible on their own.

Definitions:

- **General-Purpose Equipment:** equipment not limited to technical activities, such as office equipment and furnishings, modular offices, telephone networks, information technology systems, air conditioning equipment, printing equipment, and motor vehicles.

- **Special-Purpose Equipment:** equipment used only for research, scientific, or technical activities directly related to dairy production.
- **Supply Items:** tangible property necessary to complete the project, with a per-unit cost under \$5,000. These may be general-purpose or specialty items.

Salaries & Wages

Not allowed as a reimbursable expense or as a source of matching funds for any grant-related activity.

Sales & Marketing Costs

Not allowed: costs that solely promote an organization's image, general logo, or brand; costs to promote specific venues, tradeshow, events, meetings, programs, conventions, symposia, or seminars that don't align with the grant's purpose; and promotional items such as swag, gifts, prizes, memorabilia, or souvenirs.

Allowed with conditions: for projects funded under the Farmers Market and Local Food Promotion Program (FMLFPP), marketing activities directly tied to the funded project are allowed, including point-of-sale materials, promotional kits, signs, streamers, automobile stickers, table tents, and place mats.

Allowed: costs that promote products in a way that aligns with the grant program's purpose.

Application Requirements

A complete application includes:

1. The completed Grant Narrative.
2. The completed Budget Workbook.
3. Supplemental materials, including business plans, feasibility studies, letters of support, conceptual drawings, estimates or quotes, and other budget-justification documents, submitted as attachments with your application.
 - a) All applicants are required to submit a recent business plan.
 - b) Applicants without an existing permitted dairy processing facility are required to submit a feasibility study and business plan to be considered for funding approval.

Submission Process

The application window opens July 22, 2026. All applications must be submitted through the online application portal by 5:00 p.m. ET on September 23, 2026. If you do not receive a confirmation response, your application has not been received. Email sdbiigrants@utk.edu for assistance.

The grant application and budget template are available for download through the SDBII program website (www.sdbii.tennessee.edu).

Evaluation Criteria and Process

Only complete applications submitted on time will be evaluated. Applications are reviewed by a committee of industry experts who are not employed by SDBII; SDBII program faculty and staff do not evaluate or score applications.

If you have questions about the application process, or would like feedback on a proposed application, contact the coordinator assigned to your state (www.sdbii.tennessee.edu/sdbii/). Feedback will not be available within two days of the deadline, so please begin your application and submit questions as early as possible. Coordinator feedback helps determine whether your project is eligible for SDBII funding, but it does not guarantee that your application will be funded.

To score well, your Grant Narrative should answer each question fully, clearly, and directly. Applications should clearly explain how the project will be accomplished within the one-year project timeline (January 1, 2027 through December 31, 2027).

Supporting documents, such as quotes, conceptual drawings, and letters of support, strengthen your application by backing up your budget and narrative. Every proposed purchase should include a quote or estimate, and equipment purchases over \$5,000 should include at least one quote.

Application Scoring Criteria

Applications are reviewed by a committee of experts in dairy farm and food production, using the general criteria below.

Category	What Reviewers Look For	Points
Grant Application	Is the project description thorough and well-organized?	5
Goals Alignment	How well does the project align with the program's goals? Has the applicant participated in SDBII technical assistance programs?	10
Summary	Does the project improve profitability, efficiency, or capacity? Does it create a new process or product? Does it support job retention or growth in the dairy supply chain?	20
Work Plan	Has the applicant considered critical business issues? Is the timeline realistic and achievable within the grant period? Are project benchmarks clear and detailed?	20
Business Impact	Does the application project how the investment will pay off over time? Are costs appropriate given the expected benefit? Is the project a logical fit for the business' existing infrastructure? Are the business plan and/or feasibility study clear, related to the project goals, and reasonable?	20
Budget	Is the total amount justified by the planned activities and outcomes? Is each budget item necessary? Are the costs reasonable?	20
Other Considerations	Does the project offer industry-wide benefits? Does the applicant take a unique approach? Could the project serve as a model for other dairy businesses? Are the letters of support specific to the project?	5

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), which will require the following information:
 - Legal Business Name
 - Unique Entity ID (UEI): make sure this is visible to the public, active, and matches your legal business name
 - Employer Identification Number (EIN), also known as your Federal Tax ID Number
 - Form W-9
2. Completing the project within the contractual time frame.
3. Submitting a six-month project report in the required format.
4. Submitting a twelve-month project report demonstrating the required match and providing requested data on project outcomes.
5. Submitting a final follow-up report 24 months after the contract start date, providing requested data on project outcomes.
6. Submitting copies of invoices and proof of payment with reimbursement requests.
7. Submitting pictures of the equipment obtained, if applicable to your grant objectives.
8. Agreeing to a site inspection once the project is complete.
9. Meeting any other requirements outlined in the grant contract. Grantees will receive additional training on these requirements before contracts are executed.

Recipients who fail to provide the information needed to establish an agreement, or who fail to sign and return a complete grant contract by the specified deadline, will have their award rescinded. They may reapply in future cycles, but funding is not guaranteed.

Equipment Auditing and Disposition

Equipment purchased as part of any SDBII grant with a per-unit fair market value of \$5,000 or more is subject to an annual in-person audit for the duration of its useful life. Applicants who wish to dispose of equipment subject to audit must first contact SDBII personnel to ensure compliance with USDA policy on the disposition of grant-funded equipment.

Process Once a Grant Award Is Made

The grant review process takes 6-8 weeks, and awards will be announced before the end of November. All applicants will be notified of the outcome by email from the SDBII Review Committee Chairperson.

Important: Recipients must not begin spending on project costs they hope to have reimbursed until they have received, signed, and returned a fully executed contract from the University of Tennessee. Contracts are estimated to be issued in mid-January 2027.

Grant Narrative

The information below is provided for reference. The Grant Narrative and Budget sections must be completed and submitted through the grant submission portal by 5:00 p.m. ET on September 23, 2026.

The application will ask the following questions. We recommend drafting your answers in the Microsoft Word application template first, then copying your final answers into the online application form. Review the scoring criteria above before you begin.

1. Goal Alignment and Eligibility: Identify which of the following program goals your application supports (check all that apply):
 - 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 production
 - Value chain and commodity innovation, and facility and process updates for dairy processors
 - Product development, packaging, and marketing of dairy products
2. Project Summary: Describe your project and its intended outcomes, including background on your existing business. List at least two specific outcomes with target completion dates, and explain the expected benefits in terms of profitability, efficiency (labor, time, capacity, or production), worker health and well-being, worker retention, or job creation/maintenance. Describe the decision-making and planning process behind your proposal. **Note:** services and equipment already purchased at the time of application cannot be reimbursed through this grant.
3. Work Plan and Deliverables: Describe the critical issues your business will need to address to complete the project, the time needed for each step within the grant period, and the specific benchmarks required to complete the project. Provide a detailed, dated explanation of each step, and make sure every item listed supports your stated goals. Projects must be completed within 12 months (finishing early is fine, though SDBII encourages applicants to use the full grant period to allow ample time for all tasks). Use January 1, 2027 as the estimated start date (actual start date will depend on how long contracting takes) and December 31, 2027 as the estimated end date. Explain how each item you are requesting funding for contributes to the overall project.
4. Business Impacts: Explain how the processing facility investments in your project will pay off over time, and justify the project's costs. Payback opportunities might include increased processing capacity, decreased labor costs, or reduced waste. Explain the reasoning behind these improvements in light of your existing facility infrastructure.

5. **Additional Information:** Share anything else reviewers should know about your project that has not been covered in the other questions. If any equipment or service quotes are missing, explain why here.
6. **Supplemental Documents:** Applicants must submit at least two letters of support from collaborators (such as lenders, customers, or partner organizations), along with a business plan. Business plans should be updated within the last three years, be relevant to the proposed project, and cover the one-year grant period beginning January 1, 2027. Applicants who are not yet operating a dairy processing business, but propose to start one through this grant, must also include a robust feasibility study. All budget items (including installation costs) should be supported by at least one vendor quote, and items over \$5,000 require at least one quote. Applicants should also document the funding source (for example, a bank loan, personal or business funds, or grant funding) used to make initial purchases for the project.
7. **Budget Form:** All applications must include a complete, detailed budget workbook, available through the SDBII program website.

Applying by Mail

Applicants without internet access may submit a hard copy of the application. Requests for hard-copy forms should be made to your relevant state contact (www.sdbii.tennessee.edu/sdbii/). All mailed applications must include the required documents including: business plans, feasibility studies, quotes, budget form, and letters of support. Mailed applications must be postmarked by September 23, 2026, and addressed to:

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Center for Dairy Advancement and Sustainability
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2506 River Drive, Knoxville, TN 37996