

# *Southeast Dairy Business Innovation Initiative (SDBII)*

## **Value-Added Dairy Business Innovation 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*

### **2022 Grant Request for Proposal**

**Application Deadline:**

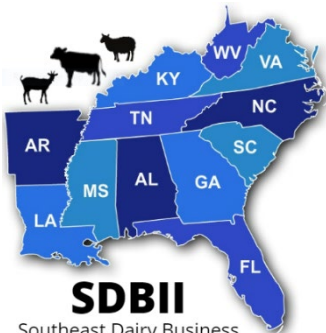
**November 1, 2022**

**at 5:00pm**

University of Tennessee Institute of Agriculture  
Animal Science Department

244 C.E. Brehm Animal Sciences Building  
2506 River Drive, Knoxville, TN 37996

[valueaddeddairy.tennessee.edu](http://valueaddeddairy.tennessee.edu)



## Table of Contents

<b>Important Dates and Webinar Information</b> .....	<b>3</b>
<b>Background on the Southeast Dairy Business Innovation Initiatives Program</b> .....	<b>4</b>
<b>Grant Description</b> .....	<b>4</b>
<b>Beginning Processor Grant</b> .....	<b>5</b>
<b>Specialty Equipment Investment Grant</b> .....	<b>5</b>
<b>Award Funding Available</b> .....	<b>5</b>
<b>Funding Priorities</b> .....	<b>5</b>
<b>Eligible Applicants</b> .....	<b>5</b>
<b>USDA-AMS - Allowable and Unallowable Costs</b> .....	<b>6</b>
<b>Building &amp; Land – Construction</b> .....	<b>6</b>
<b>Consultant Costs/Professional Services</b> .....	<b>6</b>
<b>Equipment</b> .....	<b>7</b>
<b>Salaries &amp; Wages</b> .....	<b>7</b>
<b>Sales &amp; Marketing Costs</b> .....	<b>7</b>
<b>Application Requirements</b> .....	<b>8</b>
<b>Submission Process</b> .....	<b>8</b>
<b>Evaluation Criteria and Process</b> .....	<b>8</b>
<b>Application Scoring Criteria</b> .....	<b>8</b>
<b>Award Recipient Responsibilities</b> .....	<b>9</b>
<b>Reporting Requirements</b> .....	<b>10</b>
<b>Equipment Auditing and Disposition</b> .....	<b>10</b>
<b>Grant Narrative</b> .....	<b>10</b>
<b>Budget Form</b> .....	<b>12</b>

**Important Dates and Webinar Information:**

Applications must be received by: **November 1, 2022, at 5:00 p.m.**

**Applications will not be accepted after 5:00 p.m. on November 1, 2022**

After July 14, a recording of the webinar will be available [here](#).

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

Email : [sstearn1@utk.edu](mailto: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 through the production of value-added dairy products.

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 developing new and more profitable products and processes. These grants specifically 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 production.

## **Description of Grants**

The Value-Added Dairy Business Innovation Grants provide 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 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 buffalos, 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.

Two different grant categories are available for eligible applicants. Offering two opportunities allows SDBII to meet the needs of dairy businesses at all stages of development or entry into the value-added dairy industry. Applicants may select the category for which they think their project best qualifies. Businesses will be considered for only one grant category at a time. SDBII grants are offered annually. Applicants must select one grant category to apply to per year. Applicants who have been awarded one or more grants in previous cycles of the program may continue to apply and receive funding. Below are summaries of each category.

**Beginning Processor Grant:** Funding will be available to support dairy business applicants who wish to solicit outside help from professional experts to develop plans for a new value-added dairy enterprise.

*Max award amount: \$30,000*

*Examples of eligible projects:*

- *A project to fund a feasibility study for a new value-added venture on an existing dairy farm.*
- *A project to fund business and leadership training for an existing value-added dairy business.*
- *A project to fund a food safety plan for a new or existing value-added dairy business.*
- *A project to fund forming a corporate structure and/or succession plan for a new or existing value-added dairy business*
- *A project to fund hiring a Certified Crop Advisor to consult on grazing practices*

**Specialty Equipment Investment Grant:** Established value-added dairy businesses 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. Equipment will support new processes and facilitate diversification or increased efficiency in production of finished dairy products.

*Max award amount: \$300,000*

*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**

For 2022 the total amount of money available to fund projects submitted through the Value-Added Dairy Business Innovation Grants is \$2,191,440.

### **Funding Priorities**

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

- 1) Modernization, specialization, and grazing transition on dairy farms;
- 2) Value chain and commodity innovation and facility and process updates for dairy processors;  
and
- 3) Product development, packaging, and marketing of dairy products.

### **Eligible Applicants**

An eligible applicant must meet all of the following criteria: (1) operates or endeavors to operate a dairy farm or dairy plant 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 subaward review committee.

**Priority will be given to the following:**

- 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; and
- Dairy businesses that seek to create dairy products that add substantial value in processing or marketing, such as specialty cheeses

Previous awardees to the Value-Added Dairy Business Innovation Grants 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 the previous cycle.

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, reproduction and 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 creation of a processed dairy product).

## Salaries & Wages

**Allowable** as part of employee compensation for personnel services in proportion to the amount of time or effort an employee devotes to the grant-supported project or program during the period of performance under the Federal award, including salaries, wages, and fringe benefits. Such costs must be incurred under formally established policies of the organization, be consistently applied, be reasonable for the services rendered, and be supported with adequate documentation.

**Unallowable** for salaries, wages and fringe benefits for project staff who devote time and effort to activities that do not meet the legislated purpose of the grant program.

## 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 Worksheet.
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 Value-Added Dairy Business Innovation Grant applications must be submitted to [sdbiigrants@utk.edu](mailto:sdbiigrants@utk.edu) by 5pm on November 1, 2022. **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 July 29, 2022. The documents will be available for download at [here](#).

### **Evaluation Criteria and Process**

The Value-Added Dairy Business Innovation Grant is a competitive grant. 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](mailto: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. Major purchases (in excess of \$10,000) should be accompanied with three quotes if possible.

### **Application Scoring Criteria**

The following criteria will be used by the review committee to score grant applications:

**Subawards will only be made to prospective or current dairy businesses. Applications will be reviewed by a**



## **committee of experts in dairy farm and food production.**

Specific scoring criteria are listed below. Applicants may receive a maximum of 100 points:

- 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?
  - If there is an existing dairy farm, is the farm permitted?
  - If there is an existing dairy plant, is the plant permitted?
  - Is the timeline reasonable and achievable within the grant period?
- Business Fundamentals (20 possible points)
  - Does the project promote business development that diversifies farmer income through processing and marketing innovation and that encourages the use of regional milk production?
  - Does the project have a strong network of support from industry stakeholders?
  - Does the project make sense financially, technologically, physically, etc.?
- 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?

### **Award Recipient Responsibilities**

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

2. Signing an agreement with The University of Tennessee Office of Sponsored Projects (OSP)
3. Completing the project within the contractual timeframe
4. Submitting a final project report in the required format per the executed contract
5. Submitting a final financial report itemizing actual expenses. Copies of invoices and proof of payment must be submitted with reimbursement requests
6. Agreeing to site inspection once the project is complete
7. Other requirements as outlined in the grant contract. Grantees will have additional training on requirements before 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. Studies, reports, plans, and other deliverables funded as part of the New Processor Grant must be fully completed and submitted by this time. Equipment funded through the Specialty Equipment Investment Grant should be fully installed, in operational condition, and in use. In both cases 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, industrywide 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 July 29, 2022. When the application becomes available applicants can access it [here](#). The Grant Narrative and Budget sections *must* be completed and submitted to the grants email address: [sdbiigrants@utk.edu](mailto:sdbiigrants@utk.edu) by 5:00pm on November 1, 2022.**

## Value-Added Dairy Business Innovation Grants

The following questions will be asked on the Value-Added Dairy Business Innovation 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 production
  - 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 (if applicable), establishment of a new business (if applicable), 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 where you are in the project implementation process (e.g., considering a feasibility study or buying equipment), provide a summary of the outcomes you are trying to achieve, and how you think the grant would benefit your existing business. As a reminder, services, construction, 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 Plan** – Please use the space below to describe your business plan. If you do not have a business plan, please state that fact below, and include information on your intent to develop a business plan in the future. Include a timeline of when you expect to complete the plan and the resources you are going to use to achieve this. If you have an existing business plan, please submit it as a separate document when you submit this application.
  
- 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 **Beginning Processor Grant** are encouraged but not required to submit letters of support from collaborators (lenders, customers, partner organizations etc.). Business plans that have been completed in anticipation of the proposed project are helpful but are also not required. Supplemental documentation in the form of a quote from a reputable and qualified consultant or other service provider is required to support the expenses shown on the grant budget form.

Applicants to the **Specialty Equipment Investment Grant** are encouraged but not 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 a quote from a reputable vendor. Budget items costing more than \$10,000 should be supported with more than one quote.

### **Budget Form**

**The information provided below for the Budget Form is for informational purposes only. The fillable Excel sheet will need to be filled out and submitted. The Budget Form is available [here](#).**

**Describe all of the elements of your project budget including vendor estimates whenever possible. Please attach vendor estimate documents when you submit this grant application. Please specifically note the exact expenses for which you seek reimbursement through this grant program (written under “Amount from this grant”). Remember to check the Allowable and Unallowable costs BEFORE submitting the application (See above). Including unallowable costs could lead to disqualification of the application.**

## Example Budget Sheet

Value-Added Dairy Business Innovation Grant: Budget Form				
<b>Employees Related to the Project</b>				
Position or Title	# Hrs.	Hourly Rate	Total Cost	Amount from this grant
<b>Equipment Purchases, Supplies, Materials, Installation, etc.</b>				
Item Description	# of Units	Unit Cost	Total Cost	Amount from this grant
Vat Pasteurizer 500 Gallon	1	\$55,000.00	\$55,000.00	\$55,000.00
Control Package	1	\$5,000.00	\$5,000.00	\$5,000.00
Leak Detect Valve	1	\$3,500.00	\$3,500.00	\$3,500.00
<b>Consultant Services/Contractors</b>				
Service Professional	# of Hours	Hourly Rate	Total Cost	Amount from this grant
Electrical installation of equipment	10	\$50.00	\$500.00	\$500.00
<b>Production Facility Renovation</b>				
Activity Description	# of Units	Unit Cost	Total Cost	Amount from this grant
Building roof expansion	1	\$25,000.00	\$25,000.00	\$0.00
<b>Marketing</b>				
Activity Description	# of Units	Unit Cost	Total Cost	Amount from this grant
<b>Product Development Costs</b>				
Activity Description	# of Units	Unit Cost	Total Cost	Amount from this grant
<b>Sales</b>				
Activity Description	# of Units	Unit Cost	Total Cost	Amount from this grant
<b>Other (i.e. permits, registrations, licensing, fees, etc.)</b>				
Activity Description	# of Units	Unit Cost	Total Cost	Amount from this grant
<b>Total Costs</b>				
Non-Grant Expenditures			Total Cost	Amount from this grant
	\$25,000.00		\$89,000.00	\$64,000.00