The Future of Federal Funding for Small Business:

USDA Resources

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Financial Resources

Business Lenders
- Business and Industry Guaranteed Loans (B&I)
- Intermediary Relending Program (IRP)
- Rural Microentrepreneur Assistance Program (RMAP)
- Rural Energy for America Program (REAP) – Guaranteed Loans

Grants to Small Business
- Rural Energy for America Program (REAP) - Grants
- Value Added Producer Grant Program (VAPG)
- Rural Business Development Grant (RBDG)
Program Overview

- This program bolsters the existing private credit structure through the guaranteeing of loans for rural businesses, allowing private lenders to extend more credit than they would typically be able to.

- **Eligible Entities:** Lenders with legal authority, sufficient experience, and financial strength to operate a successful lending program like:
  - Federal or State chartered banks
  - Savings and loans
  - Farm credit banks
  - Credit unions

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Business and Industry Guaranteed Loans

Program Overview

- **Maximum Amount:**
  - 80% for loans of $5 million or less
  - 70% for loans between $5 and $10 million
  - 60% for loans exceeding $10 million, up to $25 million maximum

- **Eligible Area:** Any area other than a city or town with a population of greater than 50,000 inhabitants and the urbanized area of that city or town.
  - The borrower’s headquarters may be based within a larger city as long as the project is located in an eligible rural area. The lender may be located anywhere.
  - Projects may be funded in urban areas under the [Local and Regional Food System Initiative](http://localfood.usda.gov/)

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Example

Kleinpeter Farms Dairy, LLC, Baton Rouge, LA

- 1500 acre family owned and independently operated dairy since 1913 – houses over 600 cows

- Products produced include milk, orange juice, butter, oleo, eggs, cottage cheese, yogurt, coffee, tea, and punch

- Received a $6.375M B&I Guaranteed Loan in FY15 for working capital and purchasing new equipment for the plant
Program Overview

- Provides 1% low-interest loans to local intermediaries that re-lend to businesses and for community development projects in rural communities.

- **Eligible intermediary lenders** can include nonprofits, cooperatives, Federally-recognized Tribe, public agencies – with a record of successfully assisting rural businesses and communities, including experience in making and servicing commercial loans.

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Program Overview

- **Intermediary Funding Amount:**
  - Up to $2 million for the first financing
  - Up to $1 million at a time thereafter
  - Total aggregate debt cannot exceed $15M

- **Loan Terms:**
  - Interest rate is fixed at 1%
  - Maximum term is 30 years
  - Interest-only payments may be permitted for the first 3 years

- **Maximum Loan Amount:**
  - $250,000; or
  - 75% of the total cost of the ultimate recipient's project for which the loan is being made, whichever is less.

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Use of Funds include but are not limited to:

- The acquisition, construction, conversion, enlargement, or repair of a business or business facility
- The purchase or development of land (easements, rights of way, buildings, facilities, leases, materials)
- The purchase of equipment, leasehold improvements, machinery, or supplies
- Start-up costs and working capital
- Pollution control and abatement
- Transportation services
- Feasibility studies and some fees
- Revolving lines of credit

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Example:
Mid-Columbia Economic Development District, Cascade Locks, OR

- Provided $150,000 loan to two women from the Umatilla Indian Reservation to open a fish market.
- They sell salmon, steelhead, sturgeon, and other fish harvested from traditional sites that have been passed down within the family for generations.
- Located on the Columbia River, overlooking the fishing holes where the fish are caught

**Funding:**
- Purchased the land
- Construction costs
RMAP Program Overview

- Provides loans and grants to Microenterprise Development Organizations (MDOs) to:
  - Provide microloans for microenterprise startups and growth through a Rural Microloan Revolving Fund
  - Provide training and technical assistance to microloan borrowers and micro entrepreneurs

- **Eligible Recipients** are microenterprises defined as businesses with 10 or fewer full time employees, and located in an eligible area, i.e. rural area (same criteria as IRP).
Available Funds:
- **Grants** are available to provide technical assistance to rural micro-entrepreneurs or microenterprises, up to $200K annually, with at least 15% matching funds.
- **Loans** for MDOs up to $500,000 annually - total aggregate debt is capped at $2.5 million

Loan Terms To Recipients:
- Up to $50,000 / Fixed interest rate /Limited to 75% of project cost

Fund Use:
- Working capital
- Debt refinancing
- Purchase equipment, supplies, real estate

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RMAP Example

Midcoast Council of Governments, Maine

- Awarded a $500,000 loan and $105,000 grant to capitalize a Rural Microloan Revolving Fund.

- Their mission is to improve economic opportunity for all persons in the Midcoast Economic Development District region – expected to assist over 200 business in their district.

- Rural Development grant funds will be used to provide technical assistance and training to rural microentrepreneurs and microenterprises.
Program Overview

- Provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses for renewable energy systems or to make energy efficiency improvements.

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The technology must be commercially available. Research and development projects do not qualify.
## Renewable Energy / Energy Efficiency

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<td>Minimum Grant Request</td>
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<td>Minimum Grant Request</td>
<td>$1,500 Total eligible project costs $&gt; $6,000</td>
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<tr>
<td>Maximum Grant Request</td>
<td>$250,000 Total eligible project costs $&gt; $1 million</td>
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| Minimum Loan Amount | $5,000 Total eligible project costs $> $6,667 |
| Maximum Loan Amount | $25 million Total eligible project costs $> $33.4 million |
| Details | USDA guarantees a commercial loan; applicant must have a willing lender. Terms are negotiated between the lender and borrower. Applications accepted year round Loan and Grant combo $≤ 75% of project cost |
Rural Energy for America Program (REAP)

REAP Example

Technology: Biomass Combined Heat and Power
Total Project Costs: $1,148,234 million
REAP Grant: $250,000

REAP funds were used to purchase and install a new energy efficient boiler at Menominee Tribal Enterprises’ sawmill facility in Neopit, WI. The boiler will be used to generate steam for use in the kilns for wood drying and for building space heating.
Program Overview

- Helps agricultural producers enter into value-added activities related to the processing and/or marketing of bio-based, value-added products. Generating new products, creating and expanding marketing opportunities, and increasing producer income are the goals of this program.

- **Maximum Grant Amount:** $75,000 for planning grants; $250,000 for working capital grants

- **Matching Funds Requirements:** 50% of total project costs

- **Eligible Entities:** Independent producers, agricultural producer groups, farmer- or rancher-cooperatives, and majority-controlled producer-based business ventures

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Two FY2015 Examples

$75k grant to Seminole Tribe in Florida
- Planning funds to conduct a feasibility study, develop a business plan and marketing study related to a cooperative for locally-raised and grass-fed cattle in a box beef program.

$200k grant to Mississippi Band of Choctaw Indians
- Working capital to market organic collard greens, kale, tomatoes and berries to local customers in Neshoba County, MS.

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Program Overview

- To support targeted technical assistance, training and other activities leading to the development or expansion of small and emerging private businesses in rural areas that have fewer than 50 employees and less than $1 million in gross revenues.

- **Grant Range:** Between $10k and $500k - smaller requests are given higher priority

- **Matching Funds Requirements:** None

- **Eligible Entities:** Rural public entities including, but not limited to: nonprofits, Federally-recognized Tribes, rural cooperatives, State agencies

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Eligible Activities include but are not limited to:

- Training and technical assistance
- Acquisition or development of land, easements, or rights of way
- Construction, conversion, renovation of buildings, plants, machinery, equipment, access streets and roads, parking areas, utilities
- Capitalization of revolving loan funds
- Distance adult learning for job training and advancement
- Rural transportation improvement
- Community economic development
- Rural business incubators

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Example

$200k grant to Saginaw Chippewa Indian Tribe in Mt. Pleasant, MI

- Funds used to upgrade their farmers market to a larger, permanent structure. Today, the tribe has a new farmers market with a permanent pavilion and an adjacent parking lot.
Local & Regional Food Systems

Financing Regional Food Enterprises
USDA’s “Know Your Farmer, Know Your Food” Initiative

- **Website:** One-stop shop for financial and technical assistance resources from USDA to grow your local food enterprise [www.usda.gov/knowyourfarmer](http://www.usda.gov/knowyourfarmer)

- **Mapping Tool:** See what’s funded in your community and learn how others are using USDA programs [www.usda.gov/kyfcompass](http://www.usda.gov/kyfcompass)
USDA PROGRAMS IN THE LOCAL FOOD SUPPLY CHAIN

USDA is committed to supporting robust regional food economies across the food chain through the programs noted below.

**LAND CONSERVATION**
- Agricultural Conservation Easement Program
- Conservation Reserve Program
- Conservation Stewardship Program
- Environmental Quality Incentives Program

**PRODUCTION**
- Environmental Quality Incentives Program
- Farm Microloans
- Farm Storage Facility Loans
- Grass-fed Verification
- NAP
- Organic Cost Share
- Rural Energy for America Program

**PROCESSING**
- Business and Industry Guaranteed Loans
- Community Facilities Loans and Grants
- Local Food Promotion Program
- Rural Business Development Grants
- Value-Added Producer Grants

**AGGREGATION/DISTRIBUTION**
- Business and Industry Guaranteed Loans
- Community Facilities Loans and Grants
- Local Food Promotion Program
- Rural Business Development Grants
- Specialty Crop Block Grants

**MARKETS/CONSUMERS**
- Community Food Projects Competitive Grants
- Farmers Market Promotion Program
- Farm to School Program
- Senior Farmers’ Market Nutrition Program
- Specialty Crop Block Grants
- WIC Farmers’ Market Nutrition Program

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Research, Education, and Technical Assistance Programs Along the Supply Chain:

- Agriculture and Food Research Initiative
- Beginning Farmer and Rancher Development Program
- Conservation Technical Assistance
- Federal State Marketing Improvement Program
- Risk Management Education Program
- Rural Cooperative Development Grants
- Small Business Innovation Research
- Specialty Crop Block Grants
- Specialty Crop Research Initiative
- Sustainable Agriculture Research and Education Program
New Report Series on Hubs!

USDA Food Hub Technical Report Series

- Running a Food Hub: Lessons Learned from the Field
- Running a Food Hub: Business Operations Guide
- Running a Food Hub: Assessing Financial Viability

Electronic copies of these publications can be downloaded for free at www.rd.usda.gov/publications/publications-cooperatives
Online Training on Assessing and Financing Regional Food Enterprises

Learn how to use Wholesome Wave’s Food Hub Business Assessment Toolkit through a case-based interactive training.

Access the food financing training here:

Thank You!

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