



Program Review and Summary: ***2006 TAEP Producer Diversification Cost Share Program¹***

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The purpose of the TAEP (Tennessee Agriculture Enhancement Program) *Producer Diversification Cost Share Program* is to **increase farm income in Tennessee** by encouraging producers to expand and improve their operations through production of diversified agricultural products. This initiative is funded through a state appropriation for farm programs as proposed by Governor Phil Bredesen and approved by the Tennessee General Assembly. The program is administered by the Tennessee Department of Agriculture.

Part I: Program Review²

Cost Share Reimbursement

Cost share funds are provided to farmers to install farm infrastructure, purchase specialty equipment and to market their diversified farm products. Producers can apply for reimbursement of **35% cost share**, up to the maximum, for activities or items within three funding categories. **The maximum cost share per producer is \$10,000 per fiscal year.** Producers may submit only one application per fiscal year. The three funding categories of the cost share program are:

1. **Farm Infrastructure** – installations that facilitate the production of diversified agricultural products. Activities must have a life span of at least three years. Examples include greenhouses, retail shelters, and public use considerations such as handicap accessibility, lighting, parking areas, restroom facilities, and safe way areas. *Ineligible – fencing, clearing of land and general landscaping, general maintenance/renovations, major construction (barns, storage buildings, show facilities), water source creation (i.e., pond or well).*
2. **Marketing** – promotional efforts that benefit the expansion or improvement of diversified agricultural operations. Emphasis is placed on activities that are innovative to the operation and/or have long-term benefits. Trade shows are not eligible for funding unless they are part of a TDA program. Examples include advertising, brochures, direct promotions, e-commerce & Web site development,

¹ Information contained in this publication is specific to the 2006 funding cycle

² Adapted from <http://www.tennessee.gov/agriculture/enhancement/growth.html>

maps, and signs. *Ineligible – annual meetings, community festivals, give-a-way promotional items, and general office equipment and supplies.*

3. **Specialty Equipment** – specialized tool or equipment that aids in the production of diversified agricultural products. Items must have a life span of at least three years. Examples include automated harvesters, chilling units, custom crushers, heaters, planters, spray and irrigation equipment. *Ineligible – general motorized equipment (mowers, tractors, trucks) and inputs (fertilizer, gasoline, operational supplies, pesticides, seed stock).*

Proposed activities for cost share funding must demonstrate significant potential to **increase farm income** through the production of diversified agricultural products. Proposed activities must:

- i. Be market driven and have a viable marketing plan
- ii. Establish something new, not substitute for ongoing projects
- iii. Meet all state and local food safety and regulatory requirements
- iv. Produce long-term benefits

Diversified Activities

Cost share funds are to be utilized for endeavors in diversified agricultural activities. The Tennessee Department of Agriculture considers nine industry sectors as diversified products. The following is a list of those diversified activities, including eligible and ineligible costs.

- **Agritourism:** new enterprise development, retail shelters, and public use considerations such as handicap accessible, lighting, parking areas, restroom facilities, and safe way areas. *Ineligible – general landscaping for aesthetic purposes and motorized rides.*
- **Aquaculture:** aerators, harvesting equipment, ponds (producing). *Ineligible – food and fish stock.*
- **Bees:** The only eligible items are: apiary construction, beehives, honey processing equipment, and trailers for pollination service.
- **Fruits & Vegetables:** coolers, fruit producing liners for orchards, irrigation, plasticulture materials. *Ineligible – inputs (fertilizer, pesticides, seed stock).*
- **Goats/Sheep:** handling equipment specific to goats/sheep, electric fencing for pasture rotation and predator control, panels/pens for holding areas, and reconstruction of existing structures. *Ineligible – buildings/barns, genetics, inputs (feed, vet health and pharmaceuticals) and perimeter fencing.*
- **Horticulture:** automated equipment, coolers, greenhouse construction and materials, heaters, irrigation, potting wagons. *Ineligible – inputs (drip tape, fertilizer, liners/plugs, seed stock), pots and containers.*

- **Organics:** Hoop houses, hydroponics, irrigation, and marketing. *Ineligible – inputs (fertilizer, seed stock, pest management).*
- **Value-added products:** advertising, e-commerce and Web site development, loading dock, production equipment. *Ineligible - product development, rent, supplies such as containers, ingredients and labels.*
- **Viticulture:** chilling units, custom crushers, mechanical harvesters, trellis materials, vine stock. *Ineligible - inputs (fertilizer, pesticides) and winemaking equipment.*

Application Review Criteria

Applications will be evaluated on a competitive basis by industry sector. Only applications that are complete and include sufficient information will be considered for evaluation. The application must merit financial support and demonstrate that the proposed activity has clearly stated objectives, a sound work plan, and the applicant has necessary expertise to successfully complete the project. As part of the evaluation process, a meeting with the applicant and/or a visit to the applicant's enterprise may be required.

Application Period

Start accepting applications	July 1, 2006
Deadline for applications	September 30, 2006
Announce approved products	October 16, 2006
Cost share cycle ends	October 15, 2007

Applications are available through TDA Market Development office, UT Extension, Farm Bureau or local farm supply stores and may be downloaded from www.picktnproducts.org. **Applications must be postmarked by September 30, 2006 to be eligible for review.** Producers will have until October 15, 2007 to complete approved activities and submit reimbursement paperwork. Only projects that are **approved in advance** by TDA will be eligible for cost share assistance.

Reporting Requirements

Following the completion of the approved cost share activity, the producer will complete and sign the *Grant Authorization and Project Record Form* and return it to the TDA along with a *Project Summary*. This summary will include:

- **Performance Measures:** Projected Increased Income - generated as a result of your cost share project for the next three years.
- **Project Costs:** List total cost of project. Include all expenses, even if they were not eligible for cost share reimbursement.
- **Narrative Feedback:** Describe the immediate impacts of cost share activity.
- **Receipt Summary:** List and attach receipts of actual expenses as outlined in activity budget.

- **Documentation Checklist:** Photograph of equipment or facilities purchased and/or installed Copies of marketing materials prepared and/or purchased Completed Substitute W-9 and ACH (Automated Clearing House) forms, if requested by the Department.

Applicant Checklist:

1. Do you meet the eligibility requirements?
2. Do you have your Premises ID? Required for applicants with livestock.
3. Have you completed all sections of the application?
4. Did you sign your application?
5. Is your application narrative attached?
6. Did you list quote sources or attach actual quotes?
7. Does your total request for cost share assistance fall within the maximum allotment available (\$10,000 or under)?

Part II: Program Summary

Number and Amount of Cost-Share Funding

In the 2006 cycle of the Producer Diversification Cost Share Program, 271 project applications were submitted to the Tennessee Department of Agriculture which reflected a total of \$1.3 million in requested funding.

Of these, 76% of the submitted applications were approved. This was **205** project applications for a total disbursement of **\$835,511** to Tennessee farmers.

Cost share dollars are allocated into industry sectors (diversified activities) as well as funding by category (farm infrastructure, marketing, and specialty equipment). These figures are reflected below.

2006: Funding by Activity

Activity	Funding	Percentage
Agritourism	\$125,190	20%
Aquaculture	9,355	1%
Bees & Honey	13,195	2%
Fruits and Vegetables	79,075	12%
Horticulture	149,909	23%
Organic	18,774	3%
Specialty Livestock	63,701	10%
Value-Added Products	63,843	10%
Viticulture	116,581	18%

2006: Funding by Category

Category	Funding	Percentage
Farm Infrastructure	\$359,174	55%
Marketing	32,423	5%
Specialty Equipment	250,292	40%

Effects on Farm Income

The purpose of the Producer Diversification Cost Share Program is to raise farm income in Tennessee. Each year, the Tennessee Department of Agriculture estimates the impact of cost share dollars on farm income for approved projects. As the third consecutive year of the cost share program is complete, below are the amounts of increase in farm income for 2004, 2005, and 2006.

Contact

Please direct any questions concerning this program to:
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