

TRANSITION FUNDING OPPORTUNITIES



Overview

The costs of transitioning your farm/ranch operations to meet animal welfare certification program requirements can be significant. However, there are several potential sources for financial support in this process: (1) subsidies from an operation that buys and markets your animals or animal products under the brand; (2) applicable business expenses tax deductions; (3) private funding from non-profit organizations interested in promoting animal welfare; and (4) federal and state government grants and loans. Examples of these funding sources are set forth below.

Note: While expansive, this list is not exhaustive, and focuses on grant programs. Contact your state's department of agriculture and/or extension agency for additional potential funding opportunities.

Subsidies from Downstream Buyer

Notably, a producer, producer group or marketing group that buys animals or animal products from another producer (you) may be willing to subsidize some or all of the on-farm changes you must make to meet certification program standards, as these businesses will be marketing your products under their brands (and possibly owning the relevant certification). See the [Case Studies](#) for examples of these types of downstream subsidies.

Deductible Business Expenses

The “ordinary and necessary” costs of operating a farm business are deductible business expenses. “Ordinary” is defined as what most farmers do and “necessary” has been interpreted as what is useful and helpful in farming.¹ Farms record their expenses on [Schedule F Form 1040](#) and deductible business expenses include such things as consulting fees, advertising, dues to cooperatives, marketing fees, and recordkeeping expenses. Accordingly, many of the fees/costs associated with animal welfare certification (audit fees, certification fees, recordkeeping costs, etc.) are deductible as business expenses and farms should be sure to account for them in their yearly tax filings.

GRANTS FROM NON-PROFIT ORGANIZATIONS

GRANT PROGRAM & ORGANIZATION SPONSOR	GRANT CAP	DESCRIPTION
<u>Capacity Building Grants</u> <i>Food Animal Concerns Trust</i>	\$2,500 for individuals; \$5,000 for group projects	Provides grants for farmers who currently hold Animal Welfare Approved, Certified Humane or Global Animal Partnership certification and are trying to expand or build their capacity. Eligible projects include infrastructure or investment, distribution or marketing efforts and joint sales efforts to buyers.
<u>Animal Welfare Certification Grants</u> <i>Food Animal Concerns Trust</i>	\$2,500	Provides grants for on-farm projects that help achieve one of three animal welfare certifications – Animal Welfare Approved, Certified Humane and Global Animal Partnership levels 4 and above.
<u>Pasture Improvement Grants</u> <i>Food Animal Concerns Trust</i>	\$2,500	Provides grants for projects that help farms transition to pasture-based systems, improve animals' access to well-managed pasture, or expand animals' access to well-managed pasture.
<u>The Frontera Farmer Foundation</u> <i>Frontera Farmer Foundation</i>	\$12,000	Provides grants for capital improvements to small and mid-size farmers in Illinois, Indiana, Michigan and Wisconsin that sell their products in the Chicago area. Eligible projects must demonstrate how the grant will improve the farm's viability and the availability of locally grown food.
<u>Agricultural Reinvestment Fund</u> <i>Rural Advancement Foundation International</i>	\$9,000 for individuals; \$11,000 for group projects	Provide grants for innovative and entrepreneurial farmers and collaborative food and farm businesses located in North Carolina to develop new sources of agricultural income to enhance their sustainability and financial viability.

¹ Farmer's Tax Guide. Department of the Treasury, Internal Revenue Service. <https://www.irs.gov/pub/irs-pdf/p225.pdf>



GOVERNMENT FUNDING

Federal and state government agencies offer financial assistance (grants and loans, some with cost-matching requirements) to farmers working to improve their farms and animal husbandry practices. A significant portion of government assistance is to support the improvement of conservation systems, including the management of waste and runoff. Below is a list of the available grants that could potentially be used to fund animal welfare certification projects. **Note:** This list is not exhaustive. Contact the USDA Natural Resources Conservation Service, Rural Development or the Environmental Protection Agency for additional federal funding opportunities.

Federal Funding

GRANT PROGRAM & AGENCY SPONSOR	GRANT CAP	DESCRIPTION
<u>Agricultural Management Assistance Program</u> <i>USDA Rural Development</i>	\$50,000 per fiscal year	Provides grants for farmers incorporating conservation measures into farm operations to improve water management, water quality and erosion control. Eligible projects include planting trees for windbreaks, mitigating risks through diversification and must come from farms in one of 16 eligible states.
<u>Conservation Stewardship Program</u> <i>USDA Natural Resources Conservation Service</i>	\$200,000 over 5 years	Provides grants for farmers improving or obtaining conservation systems, including for lands used for livestock. Through the program, farmers improve soil, water, air and habitat quality on their farms. Eligible projects include planting silvopasture, erecting wildlife friendly fencing and improved grazing management.
<u>Environmental Quality Incentives Program</u> <i>USDA Natural Resources Conservation Service</i>	\$450,000 over 5 years	Provides grants for farmers to implement conservation practices that result in cleaner water and air, healthier soil and better wildlife habitat, and improved agricultural operations. Eligible conservation practices include windbreaks, dust control from animal activity, fencing and livestock shelters or water pipelines.
<u>Farm to School Grant Program</u> <i>USDA Food and Nutrition Service</i>	\$50,000 for planning and training grants; \$100,000 for implementation grants	Provides grants to fund school districts, state and local agencies, Indian tribal organizations, agricultural producers and non-profit organizations in their efforts to increase presence of local food in schools. Funding could potentially be used to help local farms meet GFPP participant schools' welfare-certified sourcing requirements.
<u>Value-Added Producer Grant</u> <i>USDA Rural Development</i>	\$75,000 for planning grants; \$250,000 for working capital grants	Provides grants for farmers undertaking activities related to the processing and/or marketing of value-added products. The goals of the program include generating new products, creating and expanding marketing opportunities and increasing producer income.

State Funding

Only one state, Vermont, has specifically enabled funding for animal welfare certification projects. However, many other states have existing grants programs supporting value-added, sustainable and other diversified types of farming. The list below attempts to capture all of the state grant programs for which animal welfare certification projects may be eligible.

GRANT PROGRAM & AGENCY SPONSOR	GRANT CAP	DESCRIPTION
<u>Alternative Manure Management Program</u> California Department of Food and Agriculture	\$750,000	Provides financial assistance for the implementation of non-digester manure management practices which will result in reduced GHG emissions. Eligible practices include pasture-based management.
<u>Healthy Soils Program Incentives Program</u> California Department of Food and Agriculture	\$50,000	Provides financial assistance for implementation of conservation management that improve soil health, sequester carbon and reduce greenhouse gas (GHG) emissions. Practices eligible for funding include, but are not limited to, cover cropping, compost application and conservation plantings.
<u>Farm Transition Grant</u> Connecticut Department of Agriculture	\$49,999	A competitive matching grant program that provides funds to farmers and agricultural cooperatives for the diversification of existing farm operations, transitioning to value-added agricultural production and sales, and developing farmers' markets.
<u>Farm Reinvestment Grant</u> Connecticut Department of Agriculture	\$40,000	Provides matching funds to farms to expand, diversify, and improve existing working farms through projects with a lifespan of 10 years or more.
<u>Agricultural Development Grant</u> Maine Department of Agriculture, Conservation and Forestry	\$50,000	Provides cost share grants to conduct market promotion, market research and development, value-added processing and new technology demonstration projects.
<u>Maryland Value Added Producer Grant – Capital Asset Option</u> Maryland Maryland Agricultural & Resource-Based Industry Development Corporation	\$10,000	Provides competitive grants for value added processing capital asset projects. Designed to encourage farms interested in expanding or diversifying their operations through value added processing to purchase equipment of construct facilities.
<u>Agricultural Environmental Enhancement Program</u> Massachusetts Department of Agricultural Resources	\$25,000	Provide grants for the implementation of agricultural conservation practices that improve water quality, conserve water, or improve air quality. Eligible projects include fencing for rotational grazing.
<u>Farm Viability Enhancement Program</u> Massachusetts Department of Agricultural Resources	\$125,000	Provides management advice and grants to implement farm growth and sustainability strategies through such methods as diversification and value-added initiatives. Eligible projects include building/repairing farm structures, purchasing infrastructure, and improving marketing structures.
<u>Matching Enterprise Grants for Agriculture</u> Massachusetts Department of Agricultural Resources	\$10,000	Provides technical and business planning assistance and grants to beginning farmers for farm improvement strategies. Funds typically used for equipment, infrastructure or other capital improvements.

GRANT PROGRAM & AGENCY SPONSOR	GRANT CAP	DESCRIPTION
<u>Food and Agriculture Investment Fund</u> Michigan Department of Agriculture & Rural Development	No cap; grants may not exceed 25% of total costs	Provides financial assistance to promote the growth of Michigan's food and agriculture sectors by supporting the development of value-added processing of Michigan food, agriculture and forest products.
<u>Value Added & Regional Food Systems Grants</u> Michigan Department of Agriculture & Rural Development	\$125,000	Provides grants to establish, retain, expand, attract or develop value added agricultural production/processing in Michigan, or that expand or develop regional food systems.
<u>AGRI Livestock Investment Grant</u> Minnesota Department of Agriculture	\$25,000	Provides grants for Minnesota livestock farmers and ranchers to help them improve, update and modernize their livestock operation infrastructure and equipment. Eligible projects include fencing, feeding equipment and waste management equipment.
<u>AGRI Value-Added Grant Program</u> Minnesota Department of Agriculture	\$200,000	Provides grants to help Minnesota processors add value to Minnesota agricultural products by helping underwrite equipment purchases and physical improvements.
<u>Dairy Business Planning Grants</u> Minnesota Department of Agriculture	\$5,000	Provides grants to encourage business planning and modernization activities and other improvements on Minnesota dairy farms. Cover 50% of the cost to hire a qualified, independent third party to create a business plan for a dairy operation.
<u>Value-Added Grant Program</u> Missouri Department of Agriculture	\$200,000	Provides grants for projects that add value to Missouri agricultural products and aid the economy of a rural community. Projects should result in the development, processing and marketing of new or expanded uses of agricultural products.
<u>Value-Added "Farm to Table" Grant Program</u> Missouri Department of Agriculture	\$200,000	Provides grants for Missouri businesses to access resources for accessing and processing locally grown agricultural products for use in institutions within the state. Eligible applicants are small businesses purchasing or processing products from small farmers in the state.
<u>Growth Through Agriculture Grants</u> Montana Department of Agriculture	\$50,000	Provides grants to strengthen and diversify Montana's agricultural industry through development of new agricultural products and processes. Eligible projects include purchasing equipment, advertising/promotion and consultant services.
<u>Agricultural Development and Promotion Funds Program</u> New Mexico Department of Agriculture	\$10,000 for individuals \$30,000 for groups	Provides grants to promote agricultural growth and rural stability, maintain or increase market share for producers, develop markets for new products, and develop value-added products.
<u>Dairy Acceleration Program</u> New York Cornell University PRO-DAIRY Program	\$6,000	Provides grants to enhance the long term viability of New York dairy farms. Eligible projects include the creation of business and/or environmental plans, design of new or remodeled facilities and farmstead plans.

GRANT PROGRAM & AGENCY SPONSOR	GRANT CAP	DESCRIPTION
<u>New Farmers Grant Fund</u> New York Empire State Development	\$50,000	Provides grants to beginning farmers to help them improve their farm profitability by expanding, diversifying or extending production and/or advancing innovative techniques that increase sustainable agriculture production. Eligible costs include purchase of machinery, equipment, supplies or new construction.
<u>WNC AgOptions</u> North Carolina Cooperative Extension	\$6,000	Provides grants for diversifying or expanding farm operations to build sustainable farming communities in North Carolina. The program serves to offset risks for farmers expanding and trying new ventures.
<u>Agriculture Enhancement and Diversification Program</u> Oklahoma Department of Agriculture, Food and Forestry	\$10,000	Provides funds in the form of 0% interest loans and grants for expanding the state’s value-added processing sector and encouraging farm diversification. Funds must be used for marketing and utilization, cooperative marketing, farm diversification and basic and applied research.
<u>Local Agriculture and Seafood Act Grants Program</u> Rhode Island Department of Environmental Management	\$20,000	Provides grants to support the growth, development, and marketing of local food in Rhode Island. Project priorities include supporting small or beginning farmers and supporting new products or sales channels with clearly defined markets.
<u>Agricultural Enhancement Program</u> Tennessee Department of Agriculture	Up to \$15,000 depending on the project	Provides grants to agricultural producers to make long-term investments in Tennessee farms and communities. Projects allow producers to maximize profits, adapt to changing markets, increase farm efficiency, and make positive economic impact in their communities.
<u>Agriculture Enterprise Fund</u> Tennessee Department of Agriculture	No cap; grants may not exceed 25% of total costs	Provides grants to starting or expanding agricultural, food and forestry businesses and farmers. Successful projects will demonstrate a strong potential for impact on local farm income, access to markets, increased capacity or agricultural innovation.
<u>Young Farmer Grant</u> Texas Department of Agriculture	\$20,000	Provides grants to young agricultural producers that are engaged or will be in engaged in creating or expanding an agricultural business in Texas.
<u>Governor’s Agriculture and Forestry Industries Development Fund</u> Virginia Department of Agriculture and Consumer Services	\$500,000	Provides grants to businesses that add value to Virginia grown agriculture and forestall products. Aims to help businesses create new markets and opportunities for products of Virginia’s working lands.
<u>Local Food Market Development Grants</u> Vermont Department of Agriculture	\$5,000	Provide grants to increase Vermont producers’ access to institutional and wholesale markets, promote consumption of local food, and encourage scaling up through new market development opportunities across Vermont.
<u>Working Lands Business Grants</u> Vermont Working Lands Enterprise Initiative	\$25,000 for standard grants; \$125,000 for industry impact grants	Provides grants to help grow the economies, cultures, and communities of Vermont’s working landscape. Eligible projects include animal welfare certification , infrastructure, marketing, and research and development that will have measurable performance outcomes such as increased income or product output.