

Dairy Business Initiatives: On-Farm Modernization Activities

The following activities may be funded as allowable costs by the Dairy Business Innovation Initiatives (DBI) grant program. Equipment with an initial cost of \$5,000 or more and a useful life of over 1 year must be monitored by the DBIs in accordance with Federal regulations. This information is shared with the Initiatives to aid them in providing feedback and technical support to interested subgrant applicants.

To be considered eligible for purchase with DBI funds, special purpose equipment must meet several criteria. Generally speaking, the equipment being considered must be:

- 1) Necessary for the research, scientific, or other technical activities of the subgrant agreement
- 2) Not otherwise reasonably available and accessible to the subgrantee
- 3) Normally charged as a direct cost by the subgrantee
- 5) Used solely to meet the legislative purpose of the DBI program ([7 USC 1632d\(f\)\(3\)\(A\)](#)) and the objectives of the subgrant agreement
- 6) Benefit more than one single commercial organization, commercial product, or individual.

The Initiative should review the [Terms and Conditions](#) and [DBI Terms and Conditions addendum](#) for more information.

Allowable DBI-funded activities	
Category	Description
On-farm modernization	<ol style="list-style-type: none"> 1. Purchase/Installation of on-farm milk storage tanks, including bulk tanks. 2. Installation of milk pipelines and milk silos. 3. Installation of upgraded glycol chillers. 4. Installation of upgraded clean in place (CIP) wash systems. 5. Installation of farm milk loading systems, including direct load systems, flow stream systems (e.g., Piper System): Improve the rate at which milk is loaded at the farm by installing systems that are equipped with high-speed pumps, in-line sampling systems for direct loading and in-line weight measuring systems. Ensuring the producer gets paid in a more efficient and effective manner. 6. Installation of reclaim systems for water and watering systems (e.g., on demand tanks). 7. Installation of foam floor spray systems for transition areas. 8. Purchase/Installation or upgrade of cooling equipment. Cooling is often an issue on farms as cooling units are too small, or too old to keep up with the milk production resulting in driver delays, adding time and/or extra trips for haulers. 9. Purchase/Installation of plate coolers and heat exchangers. 10. Installation of robotic milking installations. 11. Installation of robotic push feeders. 12. Utilization and purchase of animal/herd activity monitoring systems. 13. Purchase and Installation of ventilation and temp control (e.g., fans, screens, etc.). 14. Purchase/Installation of fluid milk bottling equipment. 15. Purchase/Installation of pasteurizers and/or homogenizer 16. Purchase/Installation of packaging equipment (e.g., cup fillers, vacuum

	<p>sealer, and/or label machines).</p> <p>17. Purchase of specialty manufacturing equipment (e.g., cheese vats, cheese molds, flipping tables, curd mills, slicers, shredders, cutters, vacuum sealers, labelers, scales and/or cheese cutters).</p> <p>18. Purchase/Installation of industrial freezers and/or display cases.</p> <p>19. Purchase/Installation of parlor milking systems.</p> <p>20. Purchase of milk/colostrum pasteurizer for calf feeding.</p> <p>21. Purchase/Installation of stall mattresses.</p> <p>22. Purchase of stall upgrades for non-construction costs (such as stanchion to tie-stall or improved headlock systems).</p> <p>23. Purchase/Installation of reach-in refrigerator or freezer cabinets.</p> <p>24. Purchase/Installation of commercial refrigerator.</p> <p>25. Purchase/Installation of drain tables, curd mills, hoops, presses, wax tanks and refrigerated storage, all used for cheese making.</p>
Processing plant modernization	<p>1. Installation of upgraded glycol chillers.</p> <p>2. Installation of clean in place (CIP) wash systems.</p> <p>3. Installation of reclaim systems for water.</p> <p>4. Installation of foam floor spray systems for transition areas.</p> <p>5. Utilization and purchase electric yard horses.</p> <p>6. Purchase and Installation of ice cream making equipment.</p>
Haulers	<p>1. Rental of straight trucks and equipment.</p>

The following activities cannot be funded using Dairy Business Initiatives grant funds.

Unallowable DBI Activities	
Category	Description
Truck driver licensing	Funding to support licensing and training for new class A CDL drivers to backfill the drivers is not a dairy farm activity eligible for DBI funding.
Institutional Procurement	Funding to support schools and non-profit institutions to purchase milk coolers and bulk milk dispensers is not an on-farm dairy activity or dairy processor modernization.
Construction	Federal grant funding cannot support construction activities. This prohibits using DBI funds for building a new facility or expanding an existing processing facility, road construction, construction of milk houses, or receiving bays.

The following activities may be funded using the Dairy Business Initiatives grant program, *if* the subaward applicant provides justification to the Initiative for:

1) how the requested equipment meets the purpose of the DBI program:

- 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; or

c. Encouraging the use of regional milk production. And:

2) that the equipment will only be used for the specific technical-related activity for which it was intended ([2 CFR 200.313](#)).

Dependent DBI Activities	
Category	Description
Farm equipment – land, crop, forage, manure management	<ol style="list-style-type: none"> 1. Purchase or rental of seeding machinery – no till drills, grain drills 2. Purchase or rental of hay/forage equipment, including roller crimpers 3. Purchase or rental of a ripsower (combination subsoiler, seeder, subsurface injection) 4. Purchase or rental of manure spreaders designed for greater % solids 5. Purchase or rental of methane digesters 6. Purchase or rental of manure separation equipment for bedding reuse (e.g., screw press) 7. Purchase or rental of grain storage (not eligible for FSA funds for commodity storage) 8. Purchase or rental GPS/satellite enabled forage management systems (?) 9. Purchase or rental of testing equipment 10. Purchase or rental of clean-in-place and clean-out-of place tanks 11. Purchase or rental of chart recorders

Other USDA Support for Farm Facilities and Local/Regional Food Purchasing

The USDA programs provided below are available to individual producers and producer associations or groups unless otherwise noted. See program web site for more information and additional eligibility requirements.

Program	Description
Loan Programs for Farm Ownership, Farm Storage Facilities, and Operating Costs	
Farm Storage Facility Loan Program (FSFL)	<p>The Farm Storage Facility Loan Program (FSFL) provides low-interest financing so producers can build or upgrade facilities to store commodities. Eligible facility types include bulk tanks and facilities for cold storage. Drying and handling and storage equipment is also eligible, including storage and handling trucks. More information is available at https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/farm-storage-facility-loan-programs_factsheet.pdf.</p> <p>Microloans of up to \$50,000 are available to serve the unique financial operating needs of new, niche, and small to mid-sized family farm operations. Applicants may apply for microloans totaling a combined maximum of \$100,000: Up to \$50,000 for a farm ownership loan and up to \$50,000 for an operating loan. More information is available at</p>

	https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/2019/microloans-fact_sheet-aug_2019.pdf .
Local Food Purchasing Programs	<p>Institutional purchases of local food can be funded from numerous sources. AMS has recently announced the Local Food Purchase Assistance Cooperative Agreement Program (LFPA) that will award up to \$400 million for emergency food assistance purchases of domestic local foods, the Local Food for Schools Cooperative Agreement Program (LFS), which will provide up to \$200 million for states to purchase local food for school meal programs, and the Local Agriculture Marketing Program, which currently has \$97 million available in competitive grant funding to help local and regional food entities develop, coordinate and expand producer-to-consumer marketing, local and regional food markets and local food enterprises. More information is available at https://www.ams.usda.gov/selling-food-to-usda/lfpacap.</p> <p>AMS also recently announced the Local Food for Schools Cooperative Agreement Program (LFS), where USDA will award up to \$200 million to states for food assistance purchases of domestic local foods for distribution to schools. This program will strengthen the food system for schools by helping to build a fair, competitive, and resilient local food chain, and expand local and regional markets with an emphasis on purchasing from historically underserved producers and processors. More information is available at https://www.ams.usda.gov/selling-food-to-usda/lfs.</p>
Farm Equipment, Infrastructure, and Operations	
Business & Industry Guaranteed Loan Program	<p>The Business & Industry Guaranteed Loan Program provides loan guarantees to commercial lenders for loans to eligible rural businesses. Agricultural production is eligible only if the project is vertically integrated, ineligible for FSA farm loan programs, and it's part of an integrated business also involved in the processing of agricultural products. Annually, at least five percent of Business & Industry funds are set aside for local food related projects that process, distribute, aggregate, store and/or market locally or regionally produced agricultural food products to support community development and farm and ranch income. (NOTE: Interested borrowers work directly with lenders.)</p> <p>More information is available at: https://www.rd.usda.gov/programs-services/business-programs/business-industry-loan-guarantees.</p>
Food Supply Chain Guaranteed Loan Program	<p>The Food Supply Chain Guaranteed Loan program provides financial support to qualified lenders whose loan applicants want to start or expand middle of the food supply chain activities. The Food Supply Chain Guaranteed Loan Program guarantees loans of up to \$40 million for qualified lenders to finance food systems projects. The program will support new investments in infrastructure for food aggregation, processing, manufacturing, storage, transportation, wholesaling, and distribution. (NOTE: Interested borrowers work directly with lenders.)</p> <p>More information is available at: https://www.rd.usda.gov/food-supply-chain-guaranteed-loans</p>

<p>Farm Storage Facility Loan Program</p>	<p>The Farm Storage Facility Loan Program (FSFL) provides low-interest financing of up to \$500,000 to producers to build or upgrade facilities to store commodities. Eligible facility types include bulk tanks and facilities for cold storage. Drying and handling and storage equipment is also eligible, including storage and handling trucks.</p> <p>A microloan option of up to \$50,000, with a reduced minimum down payment and shorter loan term, is available to producers and ranchers.</p> <p>More information is available at https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/farm-storage-facility-loan-programs_factsheet.pdf.</p>
<p>Microloans: Farm Operating Loans and Farm Ownership Loans</p>	<p>Microloans are available to serve the unique financial operating needs of new, niche, and small to mid-sized family farm operations. Microloans include Farm Operating Loans and Farm Ownership Loans. Farm Operating Loans can be used for all approved operating expenses authorized by USDA, including but not limited to marketing and distribution expenses, equipment and other materials, minor farm improvements such as wells and coolers, hoop houses, essential tools, and delivery trucks. Ownership loans can pay for approved expenses, such as a farm or farmland, new and improvements to existing farm buildings, soil and water conservation and protection practices. Loan amounts, rates, and terms can be found in the links below.</p> <p>More information is available at: https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/2019/microloans-fact_sheet-aug_2019.pdf. Your Guide to Farm Loans Booklet at: Your Guide to FSA Farm Loans Booklet April 2019 (usda.gov)</p>
<p>Conservation Financial and Technical Assistance</p>	
<p>Environmental Quality Incentives Program</p>	<p>The Environmental Quality Incentives Program (EQIP) offers technical and financial assistance for working lands, including field crops, organic, and confined livestock and grazing. USDA and producers work together through five to 10-year contracts to plan and implement USDA-approved conservation practices. These practices must address a natural resource concern, typically water, air, and soil/habitat, all while improving dairy operations. Dairy operations usually start with a comprehensive nutrient management plan that can lead to improvements or new structural practices, such as manure storage facilities. Grazing plans can lead to improvements or new structural practices such as fencing, trails and watering facilities. Pasture improvements can lead to increased feed/manure efficiencies. There are many opportunities for dairy operations to participate, from cropland to energy efficiencies, such as improving lighting systems, planting windbreaks, reducing tillage or implementing any number of dairy system improvements.</p> <p>More information is available at: https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/eqip/.</p>
<p>Conservation Stewardship Program</p>	<p>The Conservation Stewardship Program (CSP) offers technical and financial assistance to help agricultural and forest producers take their conservation efforts to the next level. The program is designed to compensate agricultural and forest producers who agree to increase their level of conservation by adopting additional conservation activities and maintaining their baseline</p>

	<p>level of conservation. Contract terms are five years, with the potential to renew for another five-year period if you successfully complete your first contract term, and if your renewal application ranks high enough (CSP renewals are a competitive process).</p> <p>More information is available at: https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/csp/.</p>
Agricultural Management Assistance	<p>The Agricultural Management Assistance (AMA) helps agricultural producers manage financial risk through diversification, marketing or natural resource conservation practices. NRCS administers the conservation provisions while Agricultural Marketing Service and Risk Management Agency implement the production diversification and marketing provisions.</p> <p>More information is available at: https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/ama/</p>
Rural Energy for America Program	<p>The Rural Energy for America Program (REAP) provides guaranteed loan financing and grant funding to agricultural producers and rural small businesses for renewable energy systems or to make energy efficiency improvements. Agricultural producers may also apply for new energy efficient equipment and new system loans for agricultural production and processing.</p> <p>More information is available at: https://www.rd.usda.gov/programs-services/energy-programs/rural-energy-america-program-renewable-energy-systems-energy-efficiency-improvement-guaranteed-loans</p>
Institutional Procurement & Market Development	
National School Lunch Program (NSLP) Equipment Assistance Grants for School Food Authorities	<p>The NSLP Equipment Assistance Grants for School Food Authorities makes funding available to Child Nutrition Program-operating State agencies to competitively award grants to eligible School Food Authorities (SFAs) participating in NSLP. The State awarded subgrants support SFAs in purchases, with a value of greater than \$1,000, needed to serve healthier meals, improve food safety, and help support the establishment, maintenance, or expansion of the School Breakfast Program. SFA purchases may include dairy related equipment, such as milk coolers and bulk milk dispensers to support school meal programs. NOTE: The NSLP Equipment Assistance Grants for School Food Authorities is not available to producers. State subgrants are available to SFAs only for purchasing equipment necessary for school meal operations.</p> <p>More information is available at: https://www.fns.usda.gov/fm/grant-opportunities.</p>
Farm to School Grant Program	<p>The USDA Farm to School Program is intended to improve access to local foods in FNS Child Nutrition Programs, including the National School Lunch Program, School Breakfast Program, Child and Adult Care Food Program, and Summer Food Service Program. Competitive grants are available to eligible applicants to support training, program operations, planning, equipment, school gardens, partnerships, and farm to school programs.</p> <p>More information is available at: https://www.fns.usda.gov/f2s/farm-school-grant-program.</p>

<p>Local Food Purchase Assistance Cooperative Agreement Program</p>	<p>The purpose of the Local Food Purchase Assistance (LFPA) Cooperative Agreement Program is to maintain and improve food and agricultural supply chain resiliency. AMS will award up to \$400 million through non-competitive cooperative agreements with state and tribal governments to support local, regional, and underserved producers through the purchase of domestic local foods, including dairy products. (NOTE: Eligible entities include States, Territories, and Tribal Governments. Eligible beneficiaries of purchases include those involved in the production and distribution of local domestic food. Applicants are required to target underserved beneficiaries.) More information is available at https://www.ams.usda.gov/selling-food-to-usda/lfpacap.</p>
<p>Local Food for Schools Cooperative Agreement Program</p>	<p>The Local Food for Schools (LFS) Cooperative Agreement Program will establish up to \$200 million in cooperative agreements with state governments for the purpose of purchasing domestic, locally grown foods, including dairy products from local producers, small businesses, and underserved farmers/producers for schools. (NOTE: Eligible entities include States and Territories. Eligible beneficiaries of purchases include those involved in the production and distribution of local domestic food. Applicants are required to target underserved beneficiaries.) More information is available at https://www.ams.usda.gov/selling-food-to-usda/lfs.</p>
<p>Farmers Market Promotion Program</p>	<p>The Farmers Market Promotion Program (FMPP) funds projects that develop, coordinate and expand direct producer-to-consumer markets to help increase access to and availability of locally and regionally produced agricultural products by developing, coordinating, expanding, and providing outreach, training, and technical assistance to domestic farmers markets, roadside stands, community-supported agriculture programs, agritourism activities, online sales or other direct producer-to-consumer market opportunities. (NOTE: Applicants may not benefit only one agriculture producer, vendor, or individual. Applicants must collaborate with others to benefit the larger community.) More information is available at: https://www.ams.usda.gov/services/grants/fmpp.</p>
<p>Local Food Promotion Program</p>	<p>The Local Food Promotion Program (LFPP) funds projects that develop, coordinate and expand local and regional food business enterprises that engage as intermediaries in indirect producer to consumer marketing to help increase access to and availability of locally and regionally produced agricultural products. Grants can be used for the planning stages of establishing or expanding a local and regional food business enterprise or to improve or expand a food business that supports locally and regionally produced agricultural products and food system infrastructure by performing feasibility studies, market research, training, and technical assistance for the business enterprise and/or for producers working with the business enterprise. (NOTE: Applicants may not benefit only one agriculture producer, vendor, or individual. Applicants must collaborate with others to benefit the larger community.) More information is available at: https://www.ams.usda.gov/services/grants/lfpp.</p>
<p>Regional Food</p>	<p>The Regional Food System Partnerships (RFSP) program supports partnerships that connect public and private resources to plan and develop</p>

System Partnerships Program	local or regional food systems. The program focuses on strengthening the viability and resilience of regional food economies through collaboration and coordination. (NOTE: Projects that benefit only one agricultural producer or individual are not eligible.) More information is available at: https://www.ams.usda.gov/services/grants/rfsp .
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