

RFSI Transportation Project Guidance

General principle: Projects should be focused on creating more and better market opportunities for local and regional producers within middle of the supply chain activities.

Guidance from Program Documents

USDA Program Scope & Requirements:

- Infrastructure grant purpose: Infrastructure Grants will fund projects that expand capacity and infrastructure for the aggregation, processing, manufacturing, storing, transporting, wholesaling, or distribution of targeted agricultural products.
- Infrastructure grant project type: Purchase and installation of specialized equipment, such as processing components, sorting equipment, packing and labeling equipment, or delivery vehicles

RFSI Specific Terms and Conditions:

- Special Purpose Equipment allowability: Purchases of special purpose equipment (such as, canners, hulling processors, reverse osmosis systems, egg packing machines, flotation tanks, roasters, or other processing equipment, packing and labeling equipment, or delivery vehicles) are allowable when approved in the agreement budget or with prior written approval. All equipment purchases must meet the following criteria:
 - o Equipment is necessary for the technical activities of the agreement and is not otherwise reasonably available and accessible.
 - o Equipment is normally charged as a direct cost by the organization and is acquired in accordance with organizational practices.
 - o Equipment must be used solely to meet the purpose of the program and objectives of the agreement.
 - o Equipment is subject to the full range of acquisition, use, management, and disposition requirements under 2 CFR § 200.313 as applicable.

USDA FAQ:

- Q: Can Funds Be Used To Purchase Vehicles?
- A: Special purpose vehicles relevant to the scope of work on an Infrastructure Grant project, such as delivery vehicles or refrigerated trucks, are allowable. However, the purchase of a general use vehicles is not allowable. Please see the RFSI Program Specific Terms and Conditions for more information on general use and special purpose equipment.

DANR RFP:

- Transportation is one of the South Dakota RFSI Funding Priorities. Delivery vehicles could be included under the priority for projects that address “Transportation (potentially connected to aggregation) for market access and distribution.”

RFSI Transportation Project Design and Cost Allowability Questions and Considerations

Key principle: The goal of RFSI is to get the product to the market and increase those market opportunities for the local and regional producers.

Key Question: Vehicles can be used for a variety of things, and transportation could include a wide range of activities. How do I know what is allowable?

- Applications for vehicles or transportation activities may be eligible and allowable depending on **who the applicant is and what the purpose and necessity is of their activity, whether what the project proposes to do is a middle-of-the-supply-chain activity, and whether the destination is middle-of-the-supply-chain.**

Bottom Line: An application may be eligible if it uses transportation for the middle-of-the-supply-chain purpose of connecting producers and their products to markets without crossing the line into end-of-the-supply-chain activities like storage at sale points or direct delivery/marketing/sale/interaction with the end consumer. The RFSI program can help you access the market but can't pay for you to use it!

Checklist:

1. ***Who and Why:*** Your transportation project should be performed by an organization that is involved in middle-of-the-supply-chain activities for the purpose of getting products to markets, opening market access, and increasing market opportunities for local and regional producers
2. ***What:*** Your transportation project should qualify as a middle-of-the-supply-chain activity by transporting products to a place where they can enter a market and increases access to market opportunities for producers, but not transporting products directly to the consumer
3. ***Where:*** The destination of your transportation project should not by nature violate #3, e.g., a destination that solely serves an end-of-the-supply-chain purpose.

Factor 1: Identify of applicant and purpose of project

- **Applications for vehicles or transportation activities may be eligible and allowable depending on who the applicant is and what they are applying to do.**
 - o If a group of producers applies because they need help distributing their product to the market and would like to purchase a delivery vehicle to share, that could be allowable.
 - o An application by a farmer who wants a cooler to store their produce at a farmer's market to sell directly to the consumer would be unallowable.
 - o RFSI is wanting to support more and better market opportunities, so getting product to the market is allowable but the market cannot be the RFSI applicant.
- End-of-supply-chain activities are not allowed, but the reason a project would want to obtain a transportation vehicle would be for the purpose of helping someone reach a market which may or may not be considered end-of-the-supply-chain. How do we know whether the destination is middle or end of the supply chain and whether the associated activity is allowed?
 - o This depends on **who is applying for the funds.** If a grocery store is applying for the funds to purchase a vehicle to deliver directly to consumers, that would be ineligible. However, if a distributor needs more trucks to move their produce from the food aggregation center to the markets that could be allowable.

Factor 2: Whether a project's proposed activities are middle-of-the-supply-chain or end-of-the-supply-chain

- **RFSI projects must be middle-of-the-supply-chain in scope. The Middle of the supply chain ends at the market, not in the consumer's hands.**
- A delivery vehicle would only be used to take a product to an end point like an aggregation point, grocery store, or other market access point and hand the product off to someone who is not the end consumer. Anything beyond that is additional activity not directly tied to operation of the vehicle (e.g., parking the vehicle at the market and selling out of it would NOT be allowed)
- Middle of the Supply Chain (eligible):
 - o Transportation included in the scope is looking at getting products from the producer to the market so it can be sold.
 - o Delivering to a market, aggregation, or processing center
- End of the Supply Chain (ineligible):
 - o Transportation cannot deliver products to consumers., e.g., CSA deliveries, direct sales, selling produce out of a vehicle at a farmer's market
 - o Aggregation and storage at the end point is not allowable, and direct sales are not allowable.
- Can we purchase a vehicle that is not refrigerated?
 - o If the vehicle is being used for aggregation and transportation of products to a market access point or to otherwise facilitate the middle of the supply chain then it could be allowable. Projects cannot use vehicles to deliver orders to consumers.

Factor 3: Whether the Market Access Point where the project would deliver to is "Middle-of-the-Supply-Chain" or "End-of-the-Supply-Chain"

- **Projects can approach transportation through a "business to business" transaction lens as opposed to business to consumer.**
- There are multiple places a transportation vehicle could take products to. How do I know whether a location is allowed?
 - o The best guide to go on would be the retail definition in the RFSI Program Scope and Requirements.
 - **Retail:** Includes businesses such supermarkets, restaurants and caterers, and direct and other to retail markets (food cooperatives, small independent grocers, corner stores).
 - o RFSI transportation projects to these types of locations could be allowable if the project is also allowable under the other factors for consideration such as the applicant identify and project purpose.
- A delivery location might be considered middle or end of the supply chain depending on how you classify the type of "market access point" of the supply chain point. Most processing/warehousing/storage/aggregation facilities go directly from that facility in the middle

of the food supply chain directly to a market that you might call “end-of-the-supply-chain”, whether it is a grocery store, food pantry, etc.

- If you are delivering to a market, aggregation, or processing center, that is allowable. If you are delivering to a consumer, that is unallowable.
 - Transportation to the market could be allowable, however, cold storage/aggregation at the end of the supply chain (i.e., grocery stores/markets, food pantries/banks, farmers markets, etc.) would not be allowable. Projects should be focused on creating more and better market opportunities for local and regional producers within middle of the supply chain activities.
- Food pantries:
- Food banks and food pantries are direct to consumer, even if they serve as an aggregation center for food pantries. Projects transporting or delivering products to these destinations are not allowable under RFSI.
 - Food banks/pantries are not increasing market opportunities and are end of the supply chain.