



Committed to the future of rural communities.

Help for Rural Businesses and Cooperatives





USDA Rural Development Rural Business and Cooperative Programs

Increasing economic opportunity and improving the quality of life for people in rural America is the goal of USDA Rural Development. USDA believes rural Americans deserve the same services enjoyed by people in suburban and urban areas while retaining the advantages of small town living.

USDA creates jobs and stimulates economic development by funding the growth and creation of rural businesses and cooperatives. In a typical year, USDA Rural Development business programs create or preserve between 80,000 and 90,000 rural jobs. USDA has a portfolio of about \$6.8 billion in loans and grants made to rural businesses and cooperatives.

Program assistance is provided through direct or guaranteed loans, grants, technical assistance, cooperative agreements, research, and educational materials. USDA Rural Development often works in partnership with State, local, and tribal governments, as well as rural businesses, cooperatives and nonprofit agencies.

USDA Rural Development has a network of about 1,000 offices across the Nation administering these programs. In most areas, programs are administered through USDA Service Centers.

Business Programs

Through its business programs, USDA Rural Development provides funds to start or expand businesses in rural areas, often in partnership with private-sector lenders.

Business and Industry Guaranteed Loans

This program (often called the B&I program) provides financial backing for rural businesses. Commercial loan guarantees are available for up to 80 percent of the loan amount. Borrowers work with a local lending agency, which in turn seeks a guarantee from USDA Rural Development. Assistance is available to virtually any legally organized entity, including:

- Individuals;
- Cooperatives;
- Corporations or partnerships;
- Trusts or other profit-oriented or nonprofit entities;
- Indian tribes or federally recognized tribal groups; and
- Municipalities, counties, or other political subdivisions of a State.



The aggregate loan amount available to any one borrower under this program is limited to \$25 million at any given time. An exception to the limit is for cooperative organizations when the facility is located in a rural area and the facility provides value-added processing of an agricultural commodity. The maximum amount in such cases is \$40 million.

B&I loans are normally available in rural areas, which include all areas other than cities or towns of more than 50,000 people and the contiguous and adjacent urbanized area of such cities or towns. However, loans of up to \$25 million can be made for facilities located in nonrural areas, provided the business is a cooperative organization engaged in value-added processing and all members of the cooperative are located within 80 miles of the facility.

Intermediary Relending Program Loans

USDA Rural Development lends funds to intermediaries, which, in turn, provide loans to finance business facilities and community development projects. Projects must be located in rural areas, which (for this program) excludes cities with a population of 25,000 or more. Eligible intermediaries include public bodies, nonprofit corporations, Indian tribes, and cooperatives.

Rural Business Enterprise Grant Program

This program offers grants to public bodies, nonprofit corporations, and federally recognized Indian tribal groups to finance and facilitate development of small and emerging businesses located in rural areas (areas other than cities or towns of more than 50,000 people and the contiguous and adjacent urbanized areas of such cities or towns).

Grants may be used for:

- Acquisition and development of land, procurement of equipment, and the construction of buildings, plants, access streets and roads, parking areas, and utility and service extensions;
- Revolving loan funds; and
- Fees for professional services, technical assistance, etc.

Rural Business Opportunity Grant Program

Under this program, funds are available for technical assistance and planning activities to improve economic conditions in rural areas.

Applicants must be located in rural areas (areas other than cities or towns of more than 50,000 people and the contiguous and adjacent urbanized areas of such cities or towns).

Rural Economic Development Loan and Grant Program

Loans and grants under this program are made to Rural Development Utilities Programs-financed telecommunications and electric borrowers to promote rural economic development and/or job creation projects in non-urban areas. Eligible purposes include, but are not limited to, project feasibility studies, startup costs, construction of facilities, working capital, incubator projects, and other reasonable expenses. The maximum loan and grant to any eligible recipient is established on an annual basis.

Rural Business Investment Program

The Rural Business Investment Program promotes rural economic development through venture capital investment by for-profit Rural Business Investment Companies (RBICs).



USDA licenses newly formed for-profit entities as RBICs and provides financial assistance to fund their rural area investment activities.

Additionally, USDA awards Operational Assistance grants to each RBIC for providing technical assistance to smaller enterprises.

As required in the authorizing statute, USDA has delegated to the Small Business Administration (SBA) many of the day-to-day responsibilities for the Rural Business Investment Program, including receipt of applications and most of the selection process for licensing as an RBIC.

Renewable Energy and Energy Efficiency Improvement Grants and Loans

This program provides grants and loan guarantees to eligible farmers, ranchers, and rural small businesses to assist in developing renewable energy systems and to make energy efficiency improvements. Examples include: biofuels, wind, solar, geothermal, and hydrogen-based projects. They must be located in a rural area (any area other than cities or towns of greater than 50,000 population and the immediate and adjacent urbanized areas of

the cities or towns). The loan cannot exceed 50 percent of the project cost, and the project must use commercially proven technology.

Eligible small businesses include sole proprietorships, partnerships, corporations, and cooperatives organized in accordance with 501c(12) of the Internal Revenue Code. In addition, the applicant must meet the Small Business Administration's Small Business size standards.

Cooperative Programs

USDA Rural Development provides a wide range of assistance for new and existing cooperatives. Services include:

- **Co-op Development** - USDA provides a wide range of development assistance, from initial feasibility studies to the creation and implementation of business plans and bylaws.
- **Technical Assistance** - Agricultural economists assist cooperatives with all aspects of business operations, from developing a strategic marketing plan to coping with new competitive forces or making a crucial decision on whether to merge or form a joint venture. USDA can also help identify opportunities for adding value to members' crops or livestock.
- **Research** -- USDA conducts and publishes research providing information on changing markets and business trends. Studies deal with financial, structural, managerial, policy, member governance, and legal and social issues.
- **Education and Information** -- USDA provides a wide range of cooperative training programs and educational materials. More than 200 co-op publications are available both on-line and in hard copy. Titles range from "How to Start A Co-op" to "Tax Law for Co-ops." A bi-monthly magazine, *Rural Cooperatives*, reports significant achievements by cooperatives; advanced thinking of cooperative leaders; and highlights of agency research, technical assistance, and educational activities.
- **Statistics** - USDA compiles cooperative statistics to detect growth trends and changes in markets, operations, and governance. This information helps identify and support research and technical assistance activities. It is used extensively by legislative and executive branches of government in formulating agricultural and cooperative-related policy.

Value-Added Producer Grants

As producers of crops and livestock, American farmers and ranchers receive only what the market pays for a raw commodity – a small portion of the consumer’s dollar. But when they further process their commodities themselves, they reap far greater rewards. Examples include



wheat growers making their own pizza crusts or bread, or corn growers processing their crop into biodiesel or ethanol.

This is a matching grant program, and applications are scored on a competitive basis which considers factors such as likelihood of success, impact on the rural economy, jobs created, etc. Applicants may include independent producers, farmer or rancher cooperatives, other agricultural producer groups, and majority-controlled producer-based business ventures. Eligible purposes include feasibility studies and marketing plans, and working capital expenses for processing and marketing value-added ag products.

Rural Cooperative Development Grants

USDA encourages and stimulates the development of effective cooperative organizations through its Rural Cooperative Development Grant program. These grants are made to nonprofit corporations, including institutions of higher education, to establish and operate centers for cooperative development and to improve the operations of existing co-ops. Centers provide a variety of cooperative development activities, including feasibility and marketing studies, business plans, marketing strategies, by-law provisions, and education and training sessions.

Cooperative Stock Purchase Program

This program works with USDA's B&I program, but is explicitly designed to help farmers and ranchers buy the stock often required for membership in a new or existing value-added cooperative. Local lenders work with producers, and USDA offers a guarantee normally up to 80 percent of the loan for a maximum term of 7 years.

For More Information

To learn more about how USDA Rural Development can help your community, contact your local USDA Rural Development office. Or visit our Web site: www.rurdev.usda.gov.

USDA Rural Development offices are listed under "United States Government, Agriculture Department" in the blue pages of most phone directories. Or call the USDA Rural Development national office to be connected to an office in your state: (202) 720-4323.

Or write:

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