Rural Payments Agency (https://www.gov.uk/government/organisations/rural-payments-agency)

Guidance

About the Adding Value grant, who can apply and what the grant can pay for

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Applies to England

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You can apply for a grant for buildings, machinery or equipment so that producers can add value to eligible agricultural products after they are harvested or reared.

Eligible agricultural products include:

- arable and horticultural crops (including food and non-food crops)
- livestock products (including dairy, meat, skins and hides)
- non-food crops (including fodder, fibres and flowers)

See the list of eligible agricultural products (https://www.gov.uk/government/publications/adding-value-grant-for-farmers-to-improve-crops-or-livestock/agricultural-products-eligible-for-an-adding-value-grant).

The Rural Payments Agency (RPA) will prioritise funding for projects that:

- increase, improve or introduce new processing capabilities
- grow your business - to improve business resilience
- process products for the first time
- shorten supply chains
- encourage collaboration and partnerships
- improve environmental sustainability

You will have a stronger application the more you meet the grant's funding priorities.

Who can apply

You can apply for a grant if you're a:

- grower or other producer of agricultural products (by which we mean you carry on an agricultural or horticultural activity, including rearing livestock)
- business processing agricultural or horticultural products which is at least 50% owned by agricultural or horticultural producers

About the business

The grant funded assets must be located in England. The Adding Value (AV) grant does not apply to any joint business or partnership based in Northern Ireland.

Where a grant funded asset is mobile, the same requirement applies to the location where the mobile asset is stored or kept when not in use.

The land on which the grant-funded asset is installed or built must either:

- be owned by the applicant business
- have a tenancy agreement between the applicant business and the landowner in place until 5 years after the project has been completed

You can process any eligible agricultural products and do not have to grow or rear them yourself. For example, a sheep farmer can apply for funding for a distillery, if they wish to diversify.

Who cannot apply

The following groups are not eligible for a grant:

- forestry businesses
- public limited companies
- processing businesses that are not at least 50% owned by agricultural or horticultural producers
- commercial contractors including agricultural contractors
- public organisations, including Crown bodies and non-departmental public bodies
- local authorities
- members of Producer Organisations under the Fresh Fruit and Vegetables Aid Scheme if they have funding for the same project through their operational programme

What the grant can pay for

If you're eligible, you can get an AV grant to pay for capital items to enable you to add value to eligible agricultural products, after they've been harvested or reared.

Eligible capital items include:

- equipment for preparing or processing edible agricultural products for added value sales
- equipment for 'second stage' processing of grain - for example, colour sorting, blending
- equipment for processing non-edible agricultural products into new products (for example, flax, hemp, wool, hides, and skins)

- equipment for retailing eligible agricultural products (for example, vending machines or display facilities)
- premises for the preparation or processing of added value agricultural products, including associated integral storage areas

Stand-alone storage projects are not eligible for the AV grant. Only costs for integral storage areas (for example, for goods inward/outward) as part of wider processing projects are eligible, and these costs must not be more than 50% of the value of the grant.

This means that any applications involving building works that include storage areas must clearly separate out and detail the costs of the storage area works to make sure the 50% criteria is met.

Eligible projects for funding

The following are examples of eligible projects.

Processing agricultural products

You could process an eligible agricultural product by changing it into a new product. For example, from:

- potatoes to crisps
- milk to cheese
- wool to yarn

Adding value to agricultural products

You could prepare eligible agricultural products to add value before sale by, for example:

- washing
- sorting
- grading
- topping and tailing
- dicing or cutting
- bottling
- packing
- second-stage grain processing (for example, colour sorting, blending)

Retailing

You can also use the grant to pay for facilities for the sale of added value products, such as:

- buildings for retail sales
- display and retail equipment, for example, cabinets and tills
- automatic vending machines, for example milk vendors

These are a lower priority as they are not directly adding value to an agricultural product and will score lower than higher priority items.

Projects providing wider benefits

RPA is also looking for projects to provide wider benefits to:

- other businesses, including new collaborations or partnerships
- the environment

Environmental benefits could include:

- using renewable energy
- increased energy efficiency
- introducing savings in energy or water usage, or in waste management
- increasing use of sustainable packaging
- reducing harmful emissions, or pollutants

Other eligible costs

Installation and commissioning of eligible capital items.

Alterations to the electrical supply to accommodate the installation of new equipment. For example, additional wiring from the distribution board.

Upgrade of electricity supply. The eligible cost must be related to the project that will be undertaken. For example, if the project requires an additional 100 Kw of electrical supply and the new supply is 200 Kw, only half of the cost will be eligible. You will need to provide detailed evidence of the power requirement of the project in your full application.

One-off capital costs towards the development of an e-commerce platform directly linked to the project. For example, this could be capital costs to build, design and develop a promotion website, as long as this does not add up to more than 10% of the project's total eligible costs. This cost is eligible as long as it is used for the promotion and sale of products linked within the project.

Only the one-off costs towards the creation of the appropriate e-commerce platform will be eligible. Any other costs, such as hosting charges, annual fees, licences are ineligible.

Fossil fuel power sources

RPA will prioritise equipment using an electric or renewable energy source over those using fossil fuel (for example, diesel). Biofuels are considered as renewable energy under this fund.

Fossil fuel-powered equipment will only be supported where you can show that there is not a commercially available electric or renewable energy-powered alternative.

Second-hand items

Second-hand items are eligible for grant funding, provided that the associated supplier quote includes a statement that the item:

- has not previously been purchased with public funding
- is fit for purpose
- does not cost more than an equivalent new item
- is expected to last for at least 5 years

What the grant cannot pay for

The following costs are not eligible for grant funding (this list is not exhaustive).

Agricultural business costs

The grant will not cover agricultural costs, such as:

- buildings or equipment used for growing and harvesting of arable or horticultural crops, or the rearing of livestock
- standard agricultural equipment and inputs, including animals and crops
- the cost of agricultural production rights and payment entitlements
- the costs of standard or common agricultural practice such as drying and cleaning of grain or other arable crops
- storage premises with only standard storage facilities such as grain and vegetable stores.

- buildings for the production of seeds, tubers, bulbs or other planting material such as seed potato stores

Other project costs

The grant will not cover certain other project costs, such as:

- buildings or equipment used for rearing or processing fish or fish products
- buildings or equipment used for growing or processing forestry products
- storage costs exceeding more than 50% of the grant request

General costs

The grant will not cover general costs, such as:

- projects that are carried out only to meet a legal requirement
- any costs incurred before the project start date shown in the grant funding agreement
- contingency costs
- the cost of getting any permissions, consents or statutory requirements, for example planning permission
- legal costs
- revenue costs
- any items which have already had EU or national funding (or intend to get national funding)
- relocation costs – if the business is relocating as part of the project, it can only apply for the additional floor space, or additional machinery and equipment, installed by the project compared to the existing pre-project location and facilities
- costs associated with the provision of housing
- marketing and promotion, except capital costs of creating for the first time a sales and promotion website for the applicant business

Buildings, land and equipment costs

The grant will not cover buildings, land and equipment costs, such as:

- repairs and maintenance of existing buildings, equipment and machinery

- like-for-like replacement of existing items such as buildings, equipment and machinery
- purchase of machinery or equipment that will not be on the asset register of the business 5 years after completion of the project
- purchase of land or buildings, whether or not this land is built on
- renewable heat and energy systems
- vehicles, for example vans or forklifts
- costs associated with creating or equipping catering facilities

Where catering forms part of an eligible larger project, you must clearly detail and separate the ineligible building or equipment costs associated with the catering provision before you declare the project cost and grant request values.

Business running costs

The grant will not cover business running costs, such as:

- salaries and running costs of the business
- in-kind contributions (this means the value of donated work or services) for example, the cost of using your own labour, vehicle, and office space
- recurring monthly or annual licence fees, subscriptions, and service charges
- computers, software and printers used in the general running of the business, for example, processing orders or accounts
- mobile phones

Financial costs

The grant will not cover financial costs, such as:

- bad debts
- advance payments
- insurance policy costs
- working capital
- financial charges, for example bank charges, fines and interest
- costs connected with a leasing contract, for example a lessor's margin, interest refinancing costs, overheads and insurance charges
- reclaimable VAT

- pension provision

How the grant works

The grant is competitive, so RPA will score your application against the funding priorities. RPA will award a grant to the strongest applications.

You'll need to follow a 2-stage application process.

Stage 1: To check if you're eligible and how well your project fits the funding priorities using an online checker - your 'online application'.

Stage 2: If you're eligible and your project scores well enough against the funding priorities, you'll get an application form and project number to make a 'full application'.

Read the How to apply guidance (https://www.gov.uk/government/publications/adding-value-grant-for-farmers-to-improve-crops-or-livestock/how-to-apply-for-an-adding-value-grant) before you apply for funding.

If your full application is eligible, and scores highly enough, RPA will offer you a grant.

> The grant opened for applications on 9 June 2022 and closed at 11.59pm on 21 July 2022.

How much money you can apply for

The minimum grant you can apply for is £25,000 (40% of £62,500). The maximum grant for adding value is £300,000 per applicant business.

Grants can cover up to a maximum rate of 40% of the eligible costs of a project. At least 60% of the project costs must be paid for with money from private sources like savings or a bank loan.

You need to be able to pay the remaining project costs. You can use loans, overdrafts and certain other monies, for example the Basic Payment Scheme or agri-environment schemes, such as the Countryside Stewardship scheme.

You cannot use other public money (for example grant funding from local authorities) towards the project costs. You cannot use this grant to carry out capital works which are required under other agreements.

When you can claim payment

You must wait until the project start date as confirmed in your Grant Funding Agreement before you:

- start work or commit to any costs (including paying deposits)
- enter into any legal contracts
- place an order

Any project costs incurred before that date may make your application ineligible, as the project could be considered as already started.

Grants are paid in arrears. You can only claim after the work being claimed for is finished and has been paid for. You can make a maximum of 3 claims over the course of the project.

If you buy an item for the project using lease purchase or hire purchase, you need to own this outright before you can claim any grant money towards it. If you do not own it outright, you will not be able to include these costs in your claim.

This means that, before you claim the grant, you need to:

- pay all of the instalments
- show that the title has passed to you

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