

extent such State and local laws are inconsistent herewith. The administrative appeal provisions published at 7 CFR part 11 or 7 CFR 400.169, as applicable, must be exhausted before any action for judicial review of any determination or action by FCIC may be brought.

Environmental Evaluation

This action is not expected to have a significant impact on the quality of the human environment, health, and safety. Therefore, neither an Environmental Assessment nor an Environmental Impact Statement is needed.

Background

On Friday, June 28, 2002, FCIC published an interim rule in the **Federal Register** at 67 FR 43525–43526 to amend the Common Crop Insurance Regulations, Small Grains Crop Provisions (7 CFR 457.101) and Canola and Rapeseed Crop Insurance Provisions (7 CFR 457.161). The interim rule was effective on June 26, 2002. On June 9, 2003, FCIC published a final rule amending the Small Grains Crop Provisions (68 FR 34261), effective June 4, 2003, which superseded the interim rule for § 457.101. On Friday, August 30, 2002, FCIC published an the interim rule in the **Federal Register** at 67 FR 55689–55691 to amend the Common Crop Insurance Regulations, Sunflower Seed Crop Insurance Provisions (7 CFR 457.108), Coarse Grains Crop Insurance Provisions (7 CFR 457.113), Safflower Crop Insurance Provisions (7 CFR 457.125), Dry Pea Crop Insurance Provisions (7 CFR 457.140), Rice Crop Insurance Provisions (7 CFR 457.141), and Dry Bean Crop Insurance Provisions (7 CFR 457.150). The interim rule was effective on August 28, 2002. These interim rules implemented the quality loss adjustment procedures contained in section 10003 of the Farm Security and Rural Investment Act of 2002 (Pub. L. 102–171). Following publication of each interim rule, the public was afforded 60 days to submit written comments and opinions. No comments were received.

List of Subjects in 7 CFR Part 457

Common Crop Insurance Regulations.

Final Rule

■ Accordingly, as set forth in the preamble and under the authority of 7 U.S.C. 1506(l), 1506(p), except for the amendments to § 457.101, the interim rules amending 7 CFR part 457, published on June 28, 2002, and August 30, 2002, at 67 FR 43525 and 55689 respectively, are adopted as final.

Signed in Washington, DC, on April 21, 2004.

Ross J. Davidson, Jr.,

Manager, Federal Crop Insurance Corporation.

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BILLING CODE 3410–08–P

DEPARTMENT OF AGRICULTURE

Rural Business-Cooperative Service

Rural Housing Service

Rural Utilities Service

Farm Service Agency

7 CFR Parts 1951 and 4284

RIN 0570–AA40

General Requirements for Cooperative Services Grant Programs, Value-Added Producer Grants, Agriculture Innovation Centers and Rural Cooperative Development Grants

AGENCY: Rural Business-Cooperative Service, USDA.

ACTION: Final rule.

SUMMARY: This final rule implements new regulations for Value-Added producer grants (Value-Added Producer Grants) and a new demonstration program whereby agriculture innovation centers provide technical and other assistance to agricultural producers to help them establish businesses that produce and sell Value-Added agricultural commodities or products (Agriculture Innovation Centers). The Agriculture Innovation Center program is authorized under the Farm Security and Rural Investment Act of 2002 (Pub. L. 107–171) (2002 Farm Bill). The 2002 Farm Bill also modified and extended the authority of the Secretary of the U.S. Department of Agriculture (Secretary) (USDA) to make Value-Added Producer Grants.

This rule implements regulations in one central location to consolidate requirements that are common to all grant programs administered by Cooperative Services within the Rural Business-Cooperative Service (RBS), thereby avoiding the necessity of repeating elements shared in common in each of the subparts dedicated to specific programs.

This rule amends regulations to reduce the matching requirement required of certain institutions of higher education with respect to Rural Cooperative Development Grants from 25 percent to 5 percent and to adjust the scoring criteria to reflect this change.

Finally, this rule amends regulations to add Value-Added Producer Grants and Agriculture Innovation Center Grants to the list of RBS programs covered by the servicing regulation in that part.

DATES: Effective Date: June 1, 2004.

FOR FURTHER INFORMATION CONTACT: Jim Haskell, Assistant Deputy Administrator, Rural Business-Cooperative Service, USDA, Stop 3250, Room 4016, 1400 Independence Ave., SW., Washington, DC 20250–3250, telephone (202) 720–8460, or internet e-mail james.haskell@usda.gov.

SUPPLEMENTARY INFORMATION:

Classification

This rule has been reviewed under Executive Order 12866 and has been determined to be a significant regulatory action by the Office of Management and Budget.

Programs Affected

The Catalog of Federal Domestic Assistance Program numbers assigned to these programs are 10.352 (Value-Added Grants), 10.771 (Rural Cooperative Development Grants) and 10.776 (Agriculture Innovation Centers).

Program Administration

These programs are administered through the Cooperative Services Program of the Rural Business-Cooperative Service Agency within the Rural Development mission area of USDA and delivered via the USDA Rural Development state directors.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act, USDA may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

The Agency published a notice requesting comments on the collection requirements (approved under OMB control number 0570–0045) contained in this rule for the Agriculture Innovation Center Grant program concurrent with the publication of the proposed rule on June 13, 2003 (68 FR 35321). No comments were received on the paperwork burden.

The information collection requirements associated with Value-Added Producer Grants and Rural Development Cooperative Grants were approved under OMB control numbers 0570–0039 and 0570–0006, respectively.

Government Paperwork Elimination Act

RBS is committed to compliance with the Government Paperwork Elimination Act, which requires Government agencies, in general, to provide the public the option of submitting information or transacting business electronically to the maximum extent possible.

Environmental Impact Statement

It is the determination of the Secretary that this action is not a major Federal action significantly affecting the environment. Therefore, in accordance with the National Environmental Policy Act of 1969, an Environmental Impact Statement is not required.

Executive Order 12988

This rule has been reviewed in accordance with E.O. 12988, Civil Justice Reform. In accordance with this rule: (1) All state and local laws and regulations that are in conflict with this rule will be preempted; (2) no retroactive effect will be given to this rule; and (3) administrative proceedings in accordance with 7 CFR part 11 must be exhausted before bringing suit in court challenging action taken under this rule unless those regulations specifically allow bringing suit at an earlier time.

The Unfunded Mandates Reform Act of 1995

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA) establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments and the private sector. Under section 202 of the UMRA, USDA must prepare a written statement, including a cost benefit analysis, for proposed and final rules with "Federal mandates" that may result in expenditures to state, local or tribal governments, in the aggregate, or to the private sector, of \$100 million or more in any one year. When such a statement is needed for a rule, section 205 of UMRA generally requires USDA to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, more cost effective or least burdensome alternative that achieves the objectives of the rule.

This rule contains no Federal mandates (under the regulatory provisions of title II of the UMRA) for state, local, and tribal governments or the private sector. Therefore this rule is not subject to the requirements of sections 202 and 205 of UMRA.

Regulatory Flexibility Act

In compliance with the Regulatory Flexibility Act (5 U.S.C. 601–612), the undersigned has determined and certified by signature of this document that this rule will not have a significant economic impact on a substantial number of small entities. The Regulatory Flexibility Act is intended to encourage Federal agencies to utilize innovative administrative procedures in dealing with individuals, small businesses, small organizations, and small governmental bodies that would otherwise be unnecessarily adversely affected by Federal regulations. The provisions included in this rule will not impact a substantial number of small entities to a greater extent than large entities. Therefore, no regulatory flexibility analysis under the Regulatory Flexibility Act is necessary.

Executive Order 13132, Federalism

The policies contained in this rule do not have any substantial direct effect on states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. Nor does this rule impose substantial direct compliance costs on state and local governments. This rule is intended to foster cooperation between the Federal Government and the states and local governments, and reduces, where possible, any regulatory burden imposed by the Federal Government that impedes the ability of states and local governments to solve pressing economic, social and physical problems in their state.

I. Background

Section 6402 of the Farm Security and Rural Investment Act of 2002 (Pub. L. 107–171) (2002 Farm Bill) authorized a new grant initiative to establish up to 15 agriculture innovation demonstration centers (Agriculture Innovation Centers or AICs) with the intent of fostering the ability of agricultural producers to reap the benefits of producing and marketing value-added products. Section 6401 of the 2002 Farm Bill expanded a value-added producer grant program initially established by section 231 of the Agricultural Risk Protection Act of 2000 (Pub. L. 106–224). These two provisions of the 2002 Farm Bill are the primary subjects of this rulemaking.

The Value-Added Producer Grant program was authorized in 2000. Over \$57,000,000 in value-added producer grants have been awarded since this program was first authorized. This rule incorporates the broader standards for

eligibility for future producer grants and reflects some of the lessons learned from the experiences of the U.S. Department of Agriculture in implementing this program over the past two years. For example, we have clarified that two separate types of grants are available, *i.e.*, planning and working capital grants, with slight differences in the respective application requirements and evaluation criteria.

The purposes for Value-Added Producer grants are primarily to support the development and implementation of business plans and marketing strategies for value-added products. These grants will be made directly to independent agricultural producers, eligible agricultural producer groups, farmer or rancher cooperatives, or majority-controlled producer-based business ventures. The 2002 Farm Bill added a new dimension to value-added efforts with the authorization of grants for a third value-added program, namely a demonstration program whereby the grant recipients are to be *centers* that provide technical assistance and marketing and development assistance to producers. The rule contemplates that the centers in question are not new buildings, *per se*, but may be research and resource centers operating under the umbrella of an established entity.

The eligibility requirements for the Agriculture Innovation Centers authorized in section 6402 of the 2002 Farm Bill place an emphasis on the recipients' capabilities and a plan and board management that reflect the needs of the agricultural community in their state. Their mandate is to provide technical assistance for marketing and business development assistance to enable agricultural producers to produce value-added agricultural products.

The Rural Business-Cooperative Service (RBS) published a notice in the **Federal Register** on June 13, 2003 of proposed program regulations for the Value-Added Producer Grant and Agricultural Innovation Center programs and notice of proposed changes to the existing program regulations for the Rural Cooperative Development Grant program (68 FR 35321). We received comments from 153 entities. We considered all comments in developing this final rule. The comments and the Agency's responses are summarized below.

II. Program Descriptions

A. Value-Added Producer Grants

Value-Added Agricultural Product

The term value-added agricultural product means any agricultural

commodity or product that has been changed, produced, or segregated such that the market for the product has expanded and where the greater portion of the revenue derived from the value-added activity accrues to the producer of the commodity or product.

Use of Grant Funds

The purpose of this program is to enable producers of agricultural commodities to participate in the economic returns to be found in the value-added market. Grants are to be used to develop business plans and develop strategies for creating marketing opportunities. Grants may also be used for feasibility studies and to provide capital to establish alliances or business ventures that allow the producers of the value-added agricultural product to better compete in domestic and international markets.

Grant funds may not be used for planning, repair, rehabilitation, acquisition, or construction of a building or a facility (including a processing facility), or for the purchase, rental, or installation of fixed equipment.

Eligibility

Grants will be awarded only to independent producers, eligible agricultural producer groups, farmer or rancher cooperatives or majority-controlled producer-based business ventures. Independent producers include agricultural producers, steering committees of producers and producer-owned corporations and associations who have an ownership interest in the agricultural product to which incremental value will accrue as a result of the proposed project.

Matching Funds

Grant recipients will provide matching non-Federal funds equal to the amount of the grant received. These matching funds must be expended in advance of grant funding, such that for every dollar of grant that is advanced, an equal amount of match funds shall have been funded prior to submitting the request for reimbursement.

B. Agriculture Innovation Centers

Use of Grant Funds

Grant funds are to be used for a demonstration program whereby centers are established to provide agricultural producers with technical and business development assistance for establishing businesses producing and selling value-added agricultural products, assistance in marketing, market development, business planning, outreach and organizational and development

assistance to increase the viability, growth and sustainability of value-added businesses.

Grants may be used for the following purposes: applied research, consulting services, hiring of employees, the making of matching grants, legal services and other related costs of conducting the above activities. Funds for these purposes may not be used to plan, repair, rehabilitate, acquire, or construct a building or a facility (including a processing facility) or to purchase, rent, or install fixed equipment.

Eligibility

A grant may be made to an entity that demonstrates the capacity and technical expertise to conduct the activities described above. In addition to the capacity factor, the entity must provide a plan with specific goals to be met, its technical or other expertise and support for the entity in the agricultural community. Also, the entity must demonstrate that adequate resources (in cash or in kind) are available, or have been committed for this purpose which will allow the grant recipient to achieve the goals established. Finally, the entity must have a board of directors such that there are representatives of each of the following groups on the board: (a) The two general agricultural organizations with the greatest number of members in the State in which the entity is located, (b) the applicable State department of agriculture and (c) entities representing the four highest grossing commodities produced in the State, determined on the basis of annual gross cash sales. Trade associations are eligible to apply.

III. Rural Cooperative Development Grants and Conforming Amendments

Section 6015 of the 2002 Farm Bill reduced the match funding requirements for rural cooperative development grants imposed on certain institutions of higher learning from 25 percent to 5 percent. These institutions are defined as "1994 Institutions" and are listed by name in the Equity in Educational Land-Grant Status Act of 1994 (7 U.S.C. 301 note). This rulemaking amends the regulation applicable to this grant program to provide for this targeted reduced match funding requirement.

The amendments implemented for subpart F within 7 CFR part 4284 conform the regulations for the rural cooperative development grant program with the newly implemented subpart A that consolidates provisions common to all grant programs administered by Cooperative Services within RBS.

IV. Comments on the Proposed Rule and Responses

The following paragraphs summarize the major comments and Agency responses. The comments are grouped by the program to which they relate.

A. Comments on the General Requirements for Cooperative Services Grant Programs.

Comment: Two persons requested clarification on the definition of a producer, including what level of ownership is required and threshold of production required.

Response: Agree in part. We added the definition of an "Agricultural Producer" in § 4284.3. The definition states that farmers, ranchers, loggers, and fishermen are producers. Producers do not have to own the land, but they must be producing the product that has value added to it and they must have ownership of that product. That is, a logger, a fisherman, a wild herb gatherer, or a beef feeder may be considered a producer of logs, fish, wild herbs, or beef without owning all of the production assets. This definition will not include a threshold on the amount that has to be produced because production units and amounts vary widely among commodities.

Comment: One commenter requested that the definition for "Agriculture Producer Group" be modified to allow non-profit organizations without a producer majority of the board or membership to compete for the Value-Added Producer Grants and the Agriculture Innovation Center Grants.

Response: No change. While we agree that there are some non-profit organizations with expertise in value-added business and cooperative development that work on behalf of independent producers, many other organizations with similar expertise actually work on behalf of their own organization or in some cases the benefit of non-agriculture producer businesses. To assure that the grant funds actually benefit producers, it is our opinion that the independent producers must have majority control of any entity receiving the money.

Comment: One commenter asked that the definition of economic development be broadened to include social, economic, and environmental considerations.

Response: No change. The three programs under this regulation—Value-Added Producer Grants, Agriculture Innovation Centers, and Rural Cooperative Development Grants—are all rural business development programs. The authorizing legislation

does not include social or environmental considerations. Thus, the definition of economic development should only address the development of the economic base in rural areas.

Comment: One commenter suggested that in § 4284.3, the definition of "Rural and rural area" appears to prevent potential applicants who reside in rural areas from locating facilities in more heavily populated communities. The commenter suggested that grant applicants be allowed to locate rural-owned value-added facilities outside of rural areas when necessary due to sound business principles and infrastructure constraints without endangering their grant eligibility.

Response: No change. The legislation authorizing the Rural Cooperative Development Grant program specifies that the grants are to be used to facilitate the creation or retention of jobs in rural areas. The Value-Added Producer Grant and the Agricultural Innovation Center Grant programs do not have the restriction of facilitating the creation or retention of jobs in rural areas. Therefore Rural Cooperative Development Grant facilities must be located in a rural area, but Value-Added Producer Grant and Agriculture Innovation Centers do not.

Comment: Three commenters expressed confusion about whether using wind to produce energy is considered an agricultural product.

Response: Agree. We have added language to § 4284.3 to include using wind and hydro resources to produce energy on land that is farmed as a value-added activity.

Comment: One commenter expressed confusion over matching fund requirements for the different programs and the fact that those match requirements are unreasonable.

Response: No change. The matching funds requirements are specified in the authorizing legislation for each program. We have no authority to change those requirements. For all programs, the matching funds provided by the recipient must be expended for approved project costs in advance of federal funds.

Comment: One commenter requested that we specify whether producer labor can be considered matching funds.

Response: No change. Producer labor can be used as matching funds in certain cases. (See relevant sections of 7 CFR parts 3015 and 3019.)

Comment: One commenter indicated that the distinction between Rural Cooperative Development Grants and Agricultural Innovation Centers was unclear.

Response: No change. Section 4284.502 outlines how Rural Cooperative Development Grants will be used with further explanation of the use of the funds for the program explained in 4284.508. Section 4284.1001 outlines the purpose of the Agriculture Innovation Demonstration Centers with further explanation of the use of the funds for the program explained in § 4284.1008. It is our opinion that no further explanation is necessary.

B. Comments on the Value-Added Producer Grant (VAPG) Program

Comment: One commenter recommended that the entire VAPG Program be discontinued.

Response: No change. Under the Constitution, only Congress has the authority to end a legislated program.

Comment: One commenter believed the definition of a producer excluded forest-based businesses that rely on public lands and those that do contract logging on private lands.

Response: Agree in part. The authorizing legislation for the VAPG Program directs funds toward assisting agricultural producers, not manufacturers of agricultural products. We have expanded the definition of producer to include those who may not own the land, but do own the product that has value added to it. Thus, we believe "log producers" are eligible applicants under the revised definition.

Comment: One commenter noted that the definition of Independent Producers regarding contract production and joint ownership appears contradictory to the Majority-Controlled Producer-Based Business Venture definition as proposed.

Response: Agree in part. The definition is confusing. However, we do not consider producers who do not own the product produced to be independent. Therefore, we have modified the definition of "Independent Producers" in § 4284.3 to exclude producers who produce the agricultural product under contract for another entity, but do not own the product produced.

Comment: One commenter questioned whether the proposed definition of "Independent Producers" included steering committees.

Response: No change. We believe the definition of "Independent Producers" includes steering committees as defined in § 4284.3, "An independent producer can also be a steering committee composed of independent agricultural producers in the process of organizing an association to operate a value-added venture that will be owned and controlled by the independent

producers supplying agricultural product to the market."

Comment: Two commenters noted that preventing applicants from using funds (including matching funds) for planning, repair, rehabilitation, acquisition, or construction of a building or facility, or for the purchase, rental, or installation of fixed equipment will create a significant barrier to promoting innovative partnerships, business-to-business ventures or public-private initiatives.

Response: No change. The authorizing legislation for the VAPG Program specifically prohibits the use of funds for planning, repair, rehabilitation, acquisition, or construction of a building or facility, or for the purchase, rental, or installation of fixed equipment.

Comment: One commenter was concerned that the structure of the VAPG Program, the criteria for evaluation, the match requirements, and the prohibition on the purchase of equipment and building of new facilities make the program of little use to forest-based businesses in rural communities despite the fact that the definition of "Agricultural Product" includes forestry products.

Response: No change. The match requirements and the prohibition on the purchase of equipment and the building of new facilities are contained in the authorizing legislation. We believe that the structure of the program and the evaluation criteria do not discriminate against forest-based business, but hold all types of businesses to the same standards.

Comment: Two commenters suggested that grant applicants applying for working capital funds certify that they have a financial record keeping system in place that meets minimum accounting standards.

Response: No change. Relevant sections of 7 CFR parts 3015 and 3019 already address this issue.

Comment: Two commenters noted that the proposed regulation did not include language limiting Majority-Controlled, Producer-Based Business Ventures to ten percent of the total funding for the program.

Response: Agree. Section 6401 of the 2002 Farm Bill amends section 231 of the Agricultural Risk Protection Act of 2000 to state in part, "The amount of grants provided majority-controlled producer-based business ventures under paragraph (1)(B) for a fiscal year may not exceed 10 percent of the amount of funds that are used to make grants for the fiscal year under this subsection." This limitation has been added to the language of the final regulation.

Comments: Three commenters expressed confusion over how many grants an entity may apply for and receive.

Response: Agree. These comments are partially addressed by § 4284.907(d) which states, "No project may be the subject of more than one Planning Grant or more than one Working Capital Grant. The same project may, however, be awarded one Planning Grant and subsequently apply for and receive a Working Capital Grant." However, the Agency believes the same project should not receive more than one planning grant or more than one working capital grant. Projects receiving Value-Added Producer Grants should be viable and sustainable. These grants are to assist the start of new ventures, not to sustain them. If a venture simultaneously needs more than one grant (either planning or working capital), it is not considered sustainable for purposes of this program. The Agency seeks to fund a broad diversity of projects and in so doing has determined that only one award per applicant per funding cycle is appropriate. The Agency believes a previously awarded applicant can apply for and receive another grant for a totally different project in a different funding cycle. A change to the final rule is included to reflect a project restriction of \$500,000. This limitation applies to a project rather than a grantee and clarifying language has been added. See § 4284.909.

Comment: One commenter suggested that the restriction limiting funding to one project per applicant in proposed § 4284.907(e) be deleted or modified to accommodate applicants with diverse membership subgroups and a strong capability of managing federal funds.

Response: No change. We recognize that there are numerous potential applicants who could effectively manage several different projects. However, it is our policy to award grants to as many different recipients as possible to ensure that the maximum number of groups receive the opportunity to benefit from this program.

Comment: One commenter asked that we specify a maximum number of days between the deadline for the grant application and the time of grantee notification.

Response: No change. It is not possible for us to specify the number of days between the deadline for the grant application and the time of grantee notification because the volume and quality of applications is unknown for each funding cycle. It is our policy to conduct the review of the applications

received and to notify grantees as quickly as possible.

Comment: One commenter asked if the "description of the task in detail" is required to be duplicated because § 4284.910 notes that "each of the proposal evaluation criteria referenced in the RFP must be addressed, specifically and individually in narrative form." while § 4284.913 states that one must provide "specific and detailed planning task descriptions."

Response: No change. We are asking for a narrative as part of the application and have detailed what items need to be in that narrative. At the same time the final rule provides information as to how that narrative will be evaluated. No duplication is required nor implied thus we feel no clarification is needed.

Comment: One commenter expressed concern that entities applying for planning grants may not be fully formed or financed until after the feasibility of the business and marketing plans are demonstrated.

Response: No change. The regulation provides for steering committees to be eligible applicants in order to accommodate organizations that are not fully formed.

Comment: One commenter pointed out that being able to apply for grants more than once per year would be helpful because projects may be idle for months as applicants wait for the next application period.

Response: No change. While we agree that multiple application periods per year would be helpful for applicants, we do not have the resources to properly administer the program more than once a year.

Comment: One commenter suggested having small planning grants available year-round to cover the costs of preliminary feasibility work to screen out non-viable projects before spending any more time or money.

Response: No change. The legislation that established this program does not allow for a set aside for small planning grants.

Comment: One commenter suggested allowing reimbursement of project expenses incurred prior to the award of the grant or allowing the payment by the recipient of those expenses to be used as matching funds for the grant.

Response: No change. Applicants may request reimbursement of pre-award costs in accordance with applicable sections of 7 CFR parts 3015 and 3019.

Comment: One commenter suggested that "substantial ranking points be given to projects that focus on solving marketing and distribution obstacles."

Response: No change. The authorizing legislation states what are considered

eligible value-added activities in broad terms, but does not provide for preferences among those eligible activities. It is our policy to consider all eligible activities equally.

Comment: One commenter expressed confusion about the eligibility of agricultural production.

Response: Agree. We agree that the proposed regulation was confusing. Therefore, we have modified § 4284.907(a) to drop the reference to agricultural products and to refer back to the specific definition in this rule. Agricultural production expenses may be an eligible use of funds if they are a part of the differentiated production or marketing as demonstrated in a business plan.

Comment: One commenter requested that farmer and rancher cooperatives be able to utilize grants for existing as well as emerging markets.

Response: No change. The authorizing legislation specifies that farmer and rancher cooperatives use grant funds for emerging markets only.

Comment: Six commenters suggested that priority in the scoring of grant applications be given to the development of all biobased products, not just bioenergy.

Response: No change. We have awarded points for proposals with substantive bioenergy components in the past because bioenergy was a Presidential initiative. In this regulation, however, the evaluation criteria in § 4284.913 do not include any criteria for bioenergy. Rather, criterion number 8 indicates that we may award points in the future for proposals that focus on Presidential initiatives. Because Presidential initiatives can change over time, we will announce descriptions of the initiative(s) and the points to be awarded with the applicable NOFA. Thus, it is possible that the program could award extra points for all biobased products in the future. The VAPG program also allows up to five additional points to be awarded to a proposal by the Agency's Administrator to help accomplish Agency objectives such as implementing Presidential initiatives.

Comment: 116 commenters recommended awarding additional points to proposals that focus on small- and medium-sized farms.

Response: No change. The authorizing legislation for the VAPG program (the Agricultural Risk Protection Act of 2000 as amended by the 2002 Farm Bill) does not give special consideration to any size, type, or class of producer and rancher, except in one area. Should the sustainability of small- and medium-sized farms and ranches become a

Presidential initiative, criterion number 8 can be changed to reflect this new emphasis. Also, the VAPG program allows up to five additional points to be awarded to a proposal by the Agency's Administrator to help accomplish Agency objectives, including the implementation of Presidential initiatives. Thus, if the promotion of small- and medium-sized farms becomes a Presidential initiative, Administrator points could be awarded to proposals that focus on these farms and ranches. Also, of the four types of eligible applicants defined in the authorizing legislation, only independent producers are exempt from the "emerging markets" requirement. Many small and medium-sized farms and ranchers are eligible as "Independent Producers," and, thus, have one less condition to satisfy. Plus, evaluation criterion 6 (Amount Requested) awards greater points for the smaller grant dollar requests. Small- and medium-sized enterprises often have smaller grant requests and may take advantage of this criterion.

Comment: Two commenters suggested we add language to the regulation concerning the eligibility of research for grant funds. One commenter suggested that we add language indicating grant funds may be used for research into the development of products while another commenter suggested we clearly note that research and development costs are not eligible uses of funds.

Response: Agree. We have added language to § 4284.10 clearly expressing that grant funds may not be used for research and development. There are many other grant programs that do support research and development, and we believe the primary focus of this program is marketing developed products.

Comment: One commenter suggested we add points to proposals that bring value-added business opportunities to economically distressed rural areas and Indian reservations.

Response: No change. The authorizing legislation does not target either of these two areas. However, should increasing business opportunities to economically distressed rural areas and Indian reservations become a Presidential initiative, criterion number 8 can be changed to reflect this new emphasis. Also, the VAPG program allows up to five additional points to be awarded to a proposal by the Agency's Administrator to help accomplish Agency objectives, including the implementation of Presidential initiatives. Thus, if increasing business opportunities to economically distressed rural areas and Indian

reservations becomes a Presidential initiative, Administrator points could be awarded to proposals that focus on these activities.

Comment: 116 commenters suggested adding language to the evaluation criteria to give more weight to those proposals that contribute to environmental health and sustainability.

Response: No change. The authorizing legislation does not target this area, and we believe that a standard evaluation of environmental health and sustainability is not possible. Should environmental health and sustainability become a Presidential initiative, criterion number 8 can be changed to reflect this new emphasis. Plus, the VAPG program allows up to five additional points to be awarded to a proposal by the Agency's Administrator to help accomplish Agency objectives such as implementing Presidential initiatives. Thus, if the promotion of environmental health and sustainability becomes a Presidential initiative, Administrator points could be awarded to proposals that focus on this activity.

Comment: One commenter suggested limiting eligibility to cooperatives.

Response: No change. The authorizing legislation specifically identifies the eligible entities for this program. We do not have the authority to restrict eligibility beyond what is authorized by Congress.

Comment: One commenter noted that in § 4284.3, there are definitions for both "cooperatives" and "farmer cooperatives" that could be mutually inconsistent.

Response: Agree. We have removed the term "Cooperative" and revised the definition for "Farmer or Rancher Cooperative" to be specific to farmer or rancher-owned and controlled businesses from which benefits are derived and distributed equitably on the basis of use by each of the farmer or rancher owners. We have observed a trend in state cooperative incorporation law to allow more and more outside (non-farmer or non-rancher) investment in agricultural cooperatives. In one state, up to 85 percent of the members of agricultural cooperatives can be non-producers. The purpose of the value-added programs is to help agricultural producers, however, and we are of the view that program funding should be strictly targeted to recipients that meet the definition in this final rule.

Comment: One commenter noted in § 4284.3 that there is no definition for a feasibility study. The commenter expressed confusion about the difference between a feasibility study and feasibility analysis and suggested that definitions be provided.

Response: No change. We do not believe there is a difference between a feasibility analysis and conducting a feasibility study. Both terms describe the same activity, that that activity is an eligible use of grant funds.

C. Comments on the Agricultural Innovation Center (AIC) Program

Comment: Six commenters suggested that the composition of the Board of Directors specified in § 4284.1004 be modified to include additional or alternative members. Two additional commenters recommended that existing centers not be required to change their Board of Directors composition in order to be eligible for the grant.

Response: No change. The authorizing legislation specifies the composition of the Board of Directors and does not provide for that composition to be modified or for any entity to be exempt from that requirement.

Comment: Four commenters expressed confusion about the definition of a "Center" provided in § 4284.1004 as well as the eligibility of existing centers.

Response: No change. The definition of a "Center" provided in the regulation does not imply that existing entities that consider themselves to be agriculture innovation centers are ineligible to apply for this grant. Any entity that meets the eligibility criteria listed in § 4284.1007 is eligible to apply for this grant.

Comment: Two commenters noted that it was unclear whether scale production is an eligible use of grant funds.

Response: Agree. We have made express provision for Scale Production Assessment studies as an eligible use of funds, where these studies look at a variety of plant sizes to determine which size is most efficient for the proposed value-added activity. Note that the eligible use does not refer to building new facilities—an activity explicitly prohibited by the authorizing legislation. We have added a definition of scale production assessments to § 4284.1004.

Comment: One commenter noted that he could not find any reference in the proposed rule to the maximum grant amount, the matching requirements, and the length of the grant period.

Response: Agree. The authorizing legislation clearly states the maximum grant amount and § 4284.1009 has been added to the final rule to reflect that maximum amount. The grant period will be addressed in the applicable grant agreement.

Comment: One commenter suggested that trade associations, marketing

associations, and flexible manufacturing networks should be eligible for the grant.

Response: No change. Section 4284.1007 defines the eligibility requirements for this grant. Any trade or marketing association controlled by producers is eligible if it defines a specific group of producers to be helped.

Comment: Two commenters suggested modifying § 4284.1008(d) to include education and training as eligible uses of grant funds.

Response: No change. The authorizing legislation specifies that the agricultural producers to be provided are "technical assistance, consisting of engineering services, applied research, scale production, and similar services, to enable the agricultural producers to establish businesses * * *," but does not allow for the more indirect help of education and training. Also, because education and training are funded by other sources, there is no need to include them as eligible uses in this program.

Comment: One commenter expressed confusion about the statement in proposed § 4284.1009(c)(5)(ix) that says, "If the Center is not to be an independent legal entity, provide copies of the corporate governance documents that describe how members of the Board of Directors for the Center are to be determined." The commenter believed that we had failed to address the documentation needed by non-legal entities.

Response: No change. An applicant must be a legal entity to apply for the grant. The statement in question is meant to distinguish between the documentation needed by Centers that are stand-alone entities (*i.e.*, independent legal entities) and the documentation needed by Centers that are subsidiaries of another legal entity.

Comment: Four commenters, in reference to proposed § 4284.1012, suggested that preference should be given to organizations that can demonstrate expertise and ability to provide assistance as well as a proven track record of success in providing technical assistance.

Response: No change. We believe the selection criteria "ability to deliver," "successful track record," and "qualifications of personnel" adequately address an organization's ability and experience in providing technical assistance and other producer services as well as its track record in providing those services.

Comment: One commenter suggested that the following language be added to § 4284.1012(b): "and in reaching and

servicing the full range and diversity of agriculture within the State, including small and medium-sized farms and ranches, young and beginning farmers, and socially disadvantaged producers." Similarly, the commenter asked that the local support activity reflect special consideration for the same group of producers as well as a broad diversity of others.

Response: No change. Because the authorizing legislation does not give special consideration to any size, type, or class of producer and rancher, it is our opinion that neither the applicant's track record, nor the local support record, can be based on any of these special considerations.

Comment: Three commenters expressed concern that the evaluation criterion in § 4284.1012(d) placed too much emphasis on in-house expertise.

Response: No change. We recognize that no Center will be able to have 100 percent of the necessary expertise in-house. The Agency recognizes the value of contractors and the contribution they can make to rural development.

Applicants will be rewarded if they can show they have qualified consultants on retainer. However, we believe it is important to have enough in-house expertise in technical assistance activities and administrative activities to ensure that all services are delivered effectively and efficiently, including those of contractors. By providing a greater reward to applicants who have a higher level of in-house expertise, we believe this will help increase the effective and efficient delivery of services.

Comment: One commenter suggested that experience in forming farmer-owned cooperatives and helping cooperatives develop business plans should be emphasized in the evaluation criteria.

Response: No change. The focus of this program is not cooperative development, but rather assisting producers with producing and marketing value-added products. It is our position that the Centers should be able to provide assistance with whatever business model they and producers find to be most effective for each individual situation rather than encouraging one business model over another in all situations.

Comment: Three commenters suggested that Centers be mandated to support the development of biobased products.

Response: No change. It is our position that the Centers and the producers they assist should choose the products that they believe will be sustainable and profitable rather than

have us dictate what products should be produced and marketed.

D. Comments on the Rural Cooperative Development Grant (RCDG) Program

Comment: One commenter expressed concern about a perceived change in focus from a broad vision of cooperative development to a more limited technical scope. The commenter also suggested a decrease in focus on low income and minority people living in distressed rural areas.

Response: No change. We believe there has been no change in the scope of the program. This program has always sought to support a variety of technical assistance activities in those centers that received funding. These include conducting feasibility analyses, developing business plans, conducting marketing studies, providing organizational advice, and conducting educational activities. We will continue to encourage centers funded under the revised regulation to offer a full array of technical assistance services. Also, the focus on low income and minorities in distressed areas has not changed. One of the selection criteria continues to be the level of commitment the applicant has to providing technical assistance to underserved and economically distressed areas.

Comment: One commenter notes that a set aside for minority-owned and controlled centers is not mentioned in the proposed regulation.

Response: The set aside for minority centers is not part of the authorizing legislation (the Consolidated Farm and Rural Development Act as amended by the 2002 Farm Bill). This set aside has been authorized by various annual appropriations legislation in the past. Because the set aside is not part of the program's authorizing legislation, it is not included in the regulation.

Comment: One commenter noted an inconsistency between § 4284.502 and § 4284.508. The policy section includes development of rural cooperatives, value-added processing businesses, and rural businesses. The section addressing use of grant funds includes only the development of rural cooperatives.

Response: Agree. The focus of the RCDG Program is cooperative development, not general business development. We have added language to § 4284.502 to clarify this focus.

Comment: One commenter suggested that cooperative development centers should be required to have stakeholder representation on their governing boards. The commenter also suggested an independent survey of stakeholders to evaluate outcomes of Center activities and qualifications of the Centers.

Response: Agree in part. The authorizing legislation has no requirement that Centers have boards and so we did not dictate the composition of the boards. We agree that a survey of stakeholders is a good idea and we will seriously consider conducting a survey. However, conducting the survey would be an Agency activity rather than a center activity, so it will not be addressed in the regulation.

Comment: One commenter expressed concern that the limitation in § 4284.509 restricting grants to one-year or less time periods does not support ongoing technical assistance. The commenter suggested that ongoing funding should be tied to evaluation of results by stakeholders.

Response: No change. The program appropriations are made on an annual basis and future funding levels are unknown. Thus, it is our policy to fund one-year grant periods. Previous recipients must successfully demonstrate a proven track record and evidence of project completion through competition with other applicants in order to receive funding.

Comment: Eleven commenters had concerns regarding the evaluation criteria of "Future Support" listed in § 4284.513. The focus of these comments was that centers should not be rewarded for having plans for non-RCDG funding.

Comment: Disagree. The RCDG Program is a competitive grant program, not an entitlement. Cooperative development centers compete with each other on an annual basis for these grant funds. Currently funded cooperative development centers are not assured funding in the following year. There have been a number of centers funded for one or two years and not funded the next year. Farmers and other rural residents, including underserved and minority groups, have been adversely affected in these situations. We believe that those centers who find other funding sources should be rewarded because they are better able to serve their customers in the event they do not receive RCDG funding. We have revised the Future Support criterion to better reflect our position on this issue.

Comment: Twelve commenters suggested that the "Amount Requested" evaluation criterion listed in § 4284.513 be removed.

Response: Agree. The evaluation criterion has been eliminated.

Comment: One commenter expressed concern that the RCDG Program does not provide incentives and support for cooperatives and centers who work together.

Response: No change. The regulations do provide incentives for cooperatives to work together and for centers to help cooperatives do this. An applicant for an RCDG will receive more points in the Linkages evaluation criteria listed in § 4284.513 if it demonstrates the ability to create horizontal and vertical linkages among businesses. The regulation does not discuss linkages among centers because they currently exist and are highly developed.

Comment: One commenter requested that funds from other grant programs be allowed as matching funds.

Response: No change. 7 CFR 3019.23(a)(5) states that matching funds shall not be "paid by the Federal Government under another award except where authorized by Federal statute to be used for cost sharing or matching."

List of Subjects

7 CFR Part 1951

Grant programs—Housing and community development, Reporting requirements, Rural development.

7 CFR Part 4284

Agricultural commodities, Agriculture innovation centers, Agricultural marketing research, Business and Industry, Grant programs—Housing and community development, Rural areas, Rural development, Value-added.

■ Accordingly, chapters XVIII and XLII, title 7, of the Code of Federal Regulations are amended as follows:

PART 1951—SERVICING AND COLLECTIONS

■ 1. The authority citation for part 1951 continues to read as follows:

Authority: 5 U.S.C. 301; 7 U.S.C. 1932 Note; 7 U.S.C. 1989; 31 U.S.C. 3716; 42 U.S.C. 1480.

■ 2. Revise § 1951.201 to read as follows:

Subpart E—Servicing of Community and Direct Business Programs Loans and Grants

§ 1951.201 Purposes.

This subpart prescribes the Rural Development mission area policies, authorizations and procedures for servicing the following programs: Water and Waste Disposal System loans and grants, Community Facility loans and grants, Rural Business Enterprise/ Television Demonstration grants; loans for Grazing and other shift-in-land-use projects; Association Recreation loans; Association Irrigation and Drainage loans; Watershed loans and advances; Resource Conservation and Development loans; Direct Business

loans; Economic Opportunity Cooperative loans; Rural Renewal loans; Energy Impacted Area Development Assistance Program grants; National Nonprofit Corporation grants; Water and Waste Disposal Technical Assistance and Training grants; Emergency Community Water Assistance grants; System for Delivery of Certain Rural Development Programs panel grants; section 306C WWD loans and grants; and, in part 4284 of this title, Rural and Cooperative Development Grants, Value-Added Producer Grants and Agriculture Innovation Center Grants. Rural Development State Offices act on behalf of the Rural Utilities Service, the Rural Business-Cooperative Service and the Farm Service Agency as to loan and grant programs formerly administered by the Farmers Home Administration and the Rural Development Administration. Loans sold without insurance to the private sector will be serviced in the private sector and will not be serviced under this subpart. The provisions of this subpart are not applicable to such loans. Future changes to this Subpart will not be made applicable to such loans.

PART 4284—GRANTS

■ 3. The authority citation for part 4284 is revised to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

Subpart F also issued under 7 U.S.C. 1932(e).

Subpart G also issued under 7 U.S.C. 1926(a)(11).

Subpart J also issued under 7 U.S.C. 1621 note.

Subpart K also issued under 7 U.S.C. 1621 note.

■ 4. Subpart A of part 4284, consisting of §§ 4284.1 through 4284.100 is added to read as follows:

Subpart A—General Requirements for Cooperative Services Grant Programs

Sec.

4284.1 Purpose.

4284.2 Policy.

4284.3 Definitions.

4284.4 Appeals.

4284.5 [Reserved]

4284.6 Applicant eligibility.

4284.7 Electronic submission.

4284.8 Grant approval and obligation of funds.

4284.9 Grant disbursement.

4284.10 Ineligible grant purposes.

4284.11 Award requirements.

4284.12 Reporting requirements.

4284.13 Confidentiality of reports.

4284.14 Grant servicing.

4284.15 Performance reviews.

4284.16 Other considerations.

4284.17 Member delegate clause.

4284.18 Audit requirements.

4284.19 Programmatic changes.
 4284.20–4284.99 [Reserved]
 4284.100 OMB control number.

§ 4284.1 Purpose.

The purpose of this subpart is to set forth definitions and requirements which are common to all grant programs set forth in this part administered by Cooperative Services within the Rural Business-Cooperative Service (RBS). Programs administered by the Business Programs within RBS are not affected by this subpart.

§ 4284.2 Policy.

It is the policy of Cooperative Services to administer grant programs as uniformly as possible to minimize unnecessary inconsistencies in the administration of the grant programs provided for in this part. The specific provisions or definitions provided in the subparts that are specific to Cooperative Services are supplemental to these general provisions. Where a specific program provision is expressly different from what is provided in this subpart, the program specific subpart shall prevail.

§ 4284.3 Definitions.

Agency—Rural Business-Cooperative Service (RBS), an agency of the United States Department of Agriculture (USDA), or a successor agency.

Agricultural Producer—Persons or entities, including farmers, ranchers, loggers, agricultural harvesters and fishermen, that engage in the production or harvesting of an agricultural product. Producers may or may not own the land or other production resources, but must have majority ownership interest in the agricultural product to which Value-Added is to accrue as a result of the project. Examples of agricultural producers include: a logger who has a majority interest in the logs harvested that are then converted to boards, a fisherman that has a majority interest in the fish caught that are then smoked, a wild herb gatherer that has a majority interest in the gathered herbs that are then converted into essential oils, a cattle feeder that has a majority interest in the cattle that are fed, slaughtered and sold as boxed beef, and a corn grower that has a majority interest in the corn produced that is then converted into corn meal.

Agriculture Producer Group—An organization that represents Independent Producers, whose mission includes working on behalf of Independent Producers and the majority of whose membership and board of directors is comprised of Independent Producers.

Agricultural Product—Plant and animal products and their by-products to include forestry products, fish and seafood products.

Cooperative Services—The office within RBS, and its successor organization, that administers programs authorized by the Cooperative Marketing Act of 1926 (7 U.S.C. 451 *et seq.*) and such other programs so identified in USDA regulations.

Economic development—The economic growth of an area as evidenced by increase in total income, employment opportunities, decreased out-migration of population, value of production, increased diversification of industry, higher labor force participation rates, increased duration of employment, higher wage levels, or gains in other measurements of economic activity, such as land values.

Emerging Market—A new or developing market for the applicant, which the applicant has not traditionally supplied.

Farmer or Rancher Cooperative—A farmer or rancher-owned and controlled business from which benefits are derived and distributed equitably on the basis of use by each of the farmer or rancher owners.

Fixed equipment—Tangible personal property used in trade or business that would ordinarily be subject to depreciation under the Internal Revenue Code, including processing equipment, but not including property for equipping and furnishing offices such as computers, office equipment, desks or file cabinets.

Independent Producers—Agricultural producers, individuals or entities (including for profit and not for profit corporations, LLCs, partnerships or LLPs), where the entities are solely owned or controlled by Agricultural Producers who own a majority ownership interest in the agricultural product that is produced. An independent producer can also be a steering committee composed of independent producers in the process of organizing an association to operate a Value-Added venture that will be owned and controlled by the independent producers supplying the agricultural product to the market. Independent Producers must produce and own the agricultural product to which value is being added. Producers who produce the agricultural product under contract for another entity but do not own the product produced are not independent producers.

Majority-Controlled Producer-Based Business Venture—A venture where more than 50% of the ownership and control is held by Independent

Producers, or, partnerships, LLCs, LLPs, corporations or cooperatives that are themselves 100 percent owned and controlled by Independent Producers.

Matching Funds—Cash or confirmed funding commitments from non-Federal sources unless otherwise provided by law. Unless otherwise provided, matching funds must be at least equal to the grant amount. Unless otherwise provided, in-kind contributions that conform to the provisions of 7 CFR 3015.50 and 7 CFR 3019.23, as applicable, can be used as matching funds. Examples of in-kind contributions include volunteer services furnished by professional and technical personnel, donated supplies and equipment, and donated office space. Matching funds must be provided in advance of grant funding, such that for every dollar of grant that is advanced, not less than an equal amount of match funds shall have been funded prior to submitting the request for reimbursement. Matching funds are subject to the same use restrictions as grant funds. Funds used for an ineligible purpose will not be considered matching funds.

National Office—USDA RBS headquarters in Washington, DC.

Nonprofit institution—Any organization or institution, including an accredited institution of higher education, no part of the net earnings of which may inure, to the benefit of any private shareholder or individual.

Product segregation—Physical separation of a product or commodity from similar products. Physical separation requires a barrier to prevent mixing with the similar product.

Public body—Any state, county, city, township, incorporated town or village, borough, authority, district, economic development authority, or Indian tribe on federal or state reservations or other federally recognized Indian tribe in rural areas.

RFP—Request for Proposals.

Rural and rural area—includes all the territory of a state that is not within the outer boundary of any city or town having a population of 50,000 or more and the urbanized area contiguous and adjacent to such city or town, as defined by the U.S. Bureau of the Census using the latest decennial census of the United States.

Rural Development—A mission area within the USDA consisting of the Office of Under Secretary for Rural Development, Office of Community Development, Rural Business-Cooperative Service, Rural Housing Service and Rural Utilities Service and their successors.

State—includes each of the several States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and, as may be determined by the Secretary to be feasible, appropriate and lawful, the Freely Associated States and the Federated States of Micronesia.

State Office—USDA Rural Development offices located in each state.

Value-Added—The incremental value that is realized by the producer from an agricultural commodity or product as the result of a change in its physical state, differentiated production or marketing, as demonstrated in a business plan, or Product segregation. Also, the economic benefit realized from the production of farm or ranch-based renewable energy. Incremental value may be realized by the producer as a result of either an increase in value to buyers or the expansion of the overall market for the product. Examples include milling wheat into flour, slaughtering livestock or poultry, making strawberries into jam, the marketing of organic products, an identity-preserved marketing system, wind or hydro power produced on land that is farmed and collecting and converting methane from animal waste to generate energy. Identity-preserved marketing systems include labeling that identifies how the product was produced and by whom.

§ 4284.4 Appeals.

Any appealable adverse decision made by the Agency may be appealed in accordance with USDA appeal regulations found at 7 CFR part 11 and subpart B of part 1900. If the Agency makes a determination that a decision is not appealable, a participant may request that it be reviewed by the Director of the National Appeals Division.

§ 4284.5 [Reserved]

§ 4284.6 Applicant eligibility.

An outstanding judgment obtained against an applicant by the United States in a Federal Court (other than in the United States Tax Court), which has been recorded, shall cause the applicant to be ineligible to receive any assistance until the judgment is paid in full or otherwise satisfied. RBS grant funds may not be used to satisfy the judgment.

§ 4284.7 Electronic submission.

Applicants and grant awardees are encouraged, but not required, to submit applications and reports in electronic form as prescribed in requests for

proposals issued by USDA and in the applicable grant agreements.

§ 4284.8 Grant approval and obligation of funds.

The following statement will be entered in the comment section of the Request for Obligation of Funds, which must be signed by the grantee:

The grantee certifies that it is in compliance with and will continue to comply with all applicable laws, regulations, Executive Orders and other generally applicable requirements, including those contained in 7 CFR part 4284 and 7 CFR parts 3015, 3016, 3017, 3018, 3019 and 3052 in effect on the date of grant approval, and the approved Letter of Conditions.

§ 4284.9 Grant disbursement.

The Agency will determine, based on 7 CFR parts 3015, 3016 and 3019, as applicable, whether disbursement of a grant will be by advance or reimbursement. The Agency may limit the frequency in which a Request for Advance or Reimbursement may be submitted.

§ 4284.10 Ineligible grant purposes.

Grant funds may not be used to:

- (a) Duplicate current services or replace or substitute support previously provided. If the current service is inadequate, however, grant funds may be used to expand the level of effort or services beyond what is currently being provided;
- (b) Pay costs of preparing the application package for funding under this program;
- (c) Pay costs of the project incurred prior to the date of grant approval;
- (d) Fund political activities;
- (e) Pay for assistance to any private business enterprise which does not have a least 51 percent ownership by those who are either citizens of the United States or reside in the United States after being legally admitted for permanent residence;
- (f) Pay any judgment or debt owed to the United States;
- (g) Plan, repair, rehabilitate, acquire, or construct a building or facility (including a processing facility);
- (h) Purchase, rent or install Fixed Equipment;
- (i) Pay for the repair of privately owned vehicles; or
- (j) Fund research and development.

§ 4284.11 Award requirements.

In addition to specific grant requirements, all approved applicants will be required to do the following:

- (a) Enter into a grant agreement with USDA in form and substance similar to the form of agreement as may be published within or as an appendix to the applicable RFP;

(b) Submit a feasibility study and business plan showing the viability of the venture, if any Federal grant and matching funds are to be used as working capital;

(c) Use "Request for Advance or Reimbursement" to request advances or reimbursements, as applicable, but not more frequently than once a month;

(d) Maintain a financial management system that is acceptable to the Agency; and

(e) Collect and maintain data on race, sex and national origin of the beneficiaries of the project.

§ 4284.12 Reporting requirements.

Grantees must submit the following to USDA:

(a) A "Financial Status Report" listing expenditures according to agreed upon budget categories, on a semi-annual basis. Reporting periods end each March 31 and September 30. Reports are due 30 days after the reporting period ends.

(b) Semi-annual performance reports that compare accomplishments to the objectives stated in the proposal. Identify all tasks completed to date and provide documentation supporting the reported results. If the original schedule provided in the work plan is not being met, the report should discuss the problems or delays that may affect completion of the project. Objectives for the next reporting period should be listed. Compliance with any special condition on the use of award funds should be discussed. Reports are due as provided in paragraph (a) of this section. The supporting documentation for completed tasks include, but are not limited to, feasibility studies, marketing plans, business plans, articles of incorporation and bylaws and an accounting of how working capital funds were spent.

(c) Final project performance reports, inclusive of supporting documentation. The final performance report is due within 30 days of the completion of the project.

§ 4284.13 Confidentiality of reports.

All reports submitted to the Agency will be held in confidence to the extent permitted by law.

§ 4284.14 Grant servicing.

Grants will be serviced in accordance with 7 CFR part 1951, subparts E and O. Grantees will permit periodic inspection of the program operations by a representative of the Agency. All non-confidential information resulting from the Grantee's activities shall be made available to the general public on an equal basis.

§ 4284.15 Performance reviews.

(a) USDA will incorporate performance criteria in grant award documentation and will regularly evaluate the progress and performance of grant awardees.

(b) USDA may elect to suspend or terminate a grant in all or part, or funding of a particular workplan activity, but nevertheless fund the remainder of a request for an advance or reimbursement, as applicable, where USDA has determined:

(1) That the grantee or subrecipient of grant funds has demonstrated insufficient progress in complying with the terms of the grant agreement;

(2) There is reason to believe that other sources of joint funding have not been or will not be forthcoming on a timely basis; or

(3) Such other cause as USDA identifies in writing to the grantee (including but not limited to the use of Federal grant funds for ineligible purposes).

§ 4284.16 Other considerations.

(a) *Environmental review.* All grants made under this subpart are subject to the requirements of 7 CFR part 1940, subpart G. Applications for technical assistance or planning projects are generally excluded from the environmental review process by § 1940.333, provided the assistance is not related to the development of a specific site. Applicants for grant funds must consider and document within their plans the important environmental factors within the planning area and the potential environmental impacts of the plan on the planning area, as well as the alternative planning strategies that were reviewed.

(b) *Civil rights.* All grants made under this subpart are subject to the requirements of title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race, color and national origin as outlined in 7 CFR part 1901, subpart E. In addition, the grants made under this subpart are subject to the requirements of section 504 of the Rehabilitation Act of 1973, as amended, which prohibits discrimination on the basis of disability; the requirements of the Age Discrimination Act of 1975, which prohibits discrimination on the basis of age; and title III of the Americans with Disabilities Act, which prohibits discrimination on the basis of disability by private entities in places of public accommodations. This program will also be administered in accordance with all other applicable civil rights law.

(c) *Other USDA regulations.* The grant programs under this part are subject to

the provisions of the following regulations, as applicable:

(1) 7 CFR part 3015, Uniform Federal Assistance Regulations;

(2) 7 CFR part 3016, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments;

(3) 7 CFR part 3017, Governmentwide Debarment and Suspension (nonprocurement) and Governmentwide Requirements for Drug-Free Workplace (Grants);

(4) 7 CFR part 3018, New Restrictions on Lobbying;

(5) 7 CFR part 3019, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-profit Organizations; and

(6) 7 CFR part 3052, Audits of States, Local Governments and Non-profit Organizations.

§ 4284.17 Member delegate clause.

No Member of Congress shall be admitted to any share or part of a grant program or any benefit that may arise there from, but this provision shall not be construed to bar as a contractor under a grant a publicly held corporation whose ownership might include a Member of Congress.

§ 4284.18 Audit requirements.

Grantees must comply with the audit requirements of 7 CFR part 3052. The audit requirements apply to the years in which grant funds are received and years in which work is accomplished using grant funds.

§ 4284.19 Programmatic changes.

The Grantee shall obtain prior approval for any change to the scope or objectives of the approved project. Failure to obtain prior approval of changes to the scope of work or budget may result in suspension, termination and recovery of grant funds.

§§ 4284.20—4284.99 [Reserved]**§ 4284.100 OMB control number.**

The information collection requirements contained in this regulation have been approved by the Office of Management and Budget (OMB) and have been assigned OMB control number 0570-0045.

■ 5. Subpart F of part 4284, consisting of §§ 4284.501 through 4284.600 is revised to read as follows:

Subpart F—Rural Cooperative Development Grants

Sec.
4284.501 Purpose.
4284.502 Policy.

4284.503 Program administration
4284.504 Definitions.
4284.505–4284.506 [Reserved]
4284.507 Eligibility for grant assistance.
4284.508 Use of grant funds.
4284.509 Limitations on grants.
4284.510 Application processing.
4284.511 Evaluation screening.
4284.512 Evaluation process.
4284.513 Evaluation criteria and weights.
4284.514 Grant closing.
4284.515–4284.599 [Reserved]
4284.600 OMB control number.

§ 4284.501 Purpose.

This subpart outlines the Agency's policies and procedures for making grants for cooperative development in rural areas.

§ 4284.502 Policy.

Rural cooperative development grants will be used to facilitate the creation or retention of jobs in rural areas through the development of new rural cooperatives, Value-Added processing and rural businesses.

§ 4284.503 Program administration.

The rural cooperative development grant program is administered by Cooperative Services within the Agency.

§ 4284.504 Definitions.

Center—The entity established or operated by the grantee for rural cooperative development. It may or may not be an independent legal entity separate from the grantee.

Cooperative development—The startup, expansion or operational improvement of a cooperative to promote development in rural areas of services and products, processes that can be used in the marketing of products, or enterprises that create Value-Added to farm products through processing or marketing activities. Development activities may include, but are not limited to, technical assistance, research services, educational services and advisory services. Operational improvement includes making the cooperative more efficient or better managed.

1994 Institution—means a college identified as such for purposes of the Equity in Educational Land-Grant Status Act of 1994 (7 U.S.C. 301 note). Contact the Agency for a list of currently eligible colleges.

Project—A planned undertaking by a Center that utilizes the funds provided to it to promote economic development in rural areas through the creation and enhancement of cooperatives.

§ 4284.505–4284.506 [Reserved]**§ 4284.507 Eligibility for grant assistance.**

Grants may be made to Nonprofit corporations and institutions of higher

education. Grants may not be made to Public bodies.

§ 4284.508 Use of grant funds.

Grant funds may be used to pay up to 75 percent (95 percent where the grantee is a 1994 Institution) of the cost of establishing and operating centers for rural cooperative development. Matching funds contributed by the applicant may include a loan from another federal source. Grant funds may be used for, but are not limited to, providing the following to individuals, cooperatives, small businesses and other similar entities in rural areas served by the Center:

- (a) Applied research, feasibility, environmental and other studies that may be useful for the purpose of cooperative development.
- (b) Collection, interpretation and dissemination of principles, facts, technical knowledge, or other information for the purpose of cooperative development.
- (c) Providing training and instruction for the purpose of cooperative development.
- (d) Providing loans and grants for the purpose of cooperative development in accordance with the subpart.
- (e) Providing technical assistance, research services and advisory services for the purpose of cooperative development.

§ 4284.509 Limitations on grants.

Grants made pursuant to this subpart shall be for one year or less.

§ 4284.510 Application processing.

(a) *Applications.* USDA will solicit applications on a competitive basis by publication of one or more Requests for Proposals (RFPs). Unless otherwise specified in the applicable RFP, applicants must file an original and one hard copy of the required forms and a proposal.

(b) *Required forms.* The following forms must be completed, signed and submitted as part of the application package. Other forms may be required. This will be published in the applicable RFP.

- (1) "Application for Federal Assistance"
- (2) "Budget Information—Non-Construction Programs"
- (3) "Assurances—Non-Construction Programs"

(c) *Proposal.* Each proposal must contain the following elements. Additional elements may be published in the applicable RFP.

- (1) Title Page.
- (2) Table of Contents.
- (3) Executive Summary. A summary of the proposal should briefly describe

the Center, including goals and tasks to be accomplished, the amount requested, how the work will be performed and whether organizational staff, consultants or contractors will be used.

(4) *Eligibility.* A detailed discussion describing how the applicant meets the eligibility requirements.

(5) *Proposal Narrative.* The narrative portion of the proposal must include, but is not limited to, the following:

- (i) *Project Title.* The title of the proposed project must be brief, not to exceed 75 characters, yet describe the essentials of the project.
- (ii) *Information Sheet.* A separate one-page information sheet listing each of the evaluation criteria referenced in the RFP, followed by the page numbers of all relevant material and documentation contained in the proposal that address or support the criteria.
- (iii) *Goals of the Project.* This section must include the following:
 - (A) A provision that substantiates that the Center will effectively serve rural areas in the United States;
 - (B) A provision that the primary objective of the Center will be to improve the economic condition of rural areas through cooperative development;
 - (C) A description of the contributions that the proposed activities are likely to make to the improvement of the economic conditions of the rural areas for which the Center will provide services.
 - (D) Provisions that the Center, in carrying out the activities, will seek, where appropriate, the advice, participation, expertise, and assistance of representatives of business, industry, educational institutions, the Federal Government, and State and local governments.

(iv) *Work Plan.* Applicants must discuss the specific tasks to be completed using grant and matching funds. The work plan should show how customers will be identified, key personnel to be involved, and the evaluation methods to be used to determine the success of specific tasks and overall objectives of Center operations. The budget must present a breakdown of the estimated costs associated with cooperative development activities as well as the operation of the Center and allocate these costs to each of the tasks to be undertaken. Matching funds as well as grant funds must be accounted for in the budget.

(v) *Performance Evaluation Criteria.* Performance criteria suggested by the applicant for incorporation in the grant award in the event the proposal receives grant funding under this subpart. These

suggested criteria are not binding on USDA.

(vi) *Undertakings.* The applicant must expressly undertake to do the following:

- (A) Take all practicable steps to develop continuing sources of financial support for the Center, particularly from sources in the private sector;
- (B) Make arrangements for the activities by the nonprofit institution operating the Center to be monitored and evaluated; and
- (C) Provide an accounting for the money received by the grantee under this subpart.

(vii) *Delivery of Cooperative development assistance.* The applicant must describe its previous accomplishments and outcomes in Cooperative development activities and/or its potential for effective delivery of Cooperative development services to rural areas. The applicant should also describe the type(s) of assistance to be provided, the expected impacts of that assistance, the sustainability of cooperative organizations receiving the assistance, and the transferability of its Cooperative development strategy and focus to other areas of the U.S.

(viii) *Qualifications of Personnel.* Applicants must describe the qualifications of personnel expected to perform key center tasks, and whether these personnel are to be full/part-time Center employees or contract personnel. Those personnel having a track record of positive solutions for complex cooperative development or marketing problems, or those with a record of conducting feasibility studies that later proved to be accurate, business planning, marketing analysis, or other activities relevant to the Center's success should be highlighted.

(ix) *Support and commitments.* Applicants must describe the level of support and commitment in the community for the proposed Center and the services it would provide. Plans for coordinating with other developmental organizations in the proposed service area, or with state and local government institutions should be included. Letters supporting cooperation and coordination from potential local customers should be provided.

(x) *Future support.* Applicants should describe their vision for Center operations beyond the first year, including issues such as sources and uses of alternative funding; reliance on Federal, state, and local grants; and the use of in-house personnel for providing services versus contracting out for that expertise. To the extent possible, applicants should document future funding sources that will help achieve long-term sustainability of the Center.

(xi) Evaluation criteria. Each of the evaluation criteria referenced in the RFP must be specifically and individually addressed in narrative form.

(6) Verification of Matching Funds. Applicants must provide a budget to support the work plan showing all sources and uses of funds during the project period. Applicants will be required to verify matching funds, both cash and in-kind. Sufficient information should be included such that USDA can verify all representations.

(7) Certification. Applicants must certify that matching funds will be available at the same time grant funds are anticipated to be spent and that matching funds will be spent in advance of grant funding, such that for every dollar of grant that is advanced, not less than an equal amount of match funds will have been funded prior to submitting the request for advance.

§ 4284.511 Evaluation screening.

The Agency will conduct an initial screening of all proposals to determine whether the applicant is eligible and whether the application is complete and sufficiently responsive to the requirements set forth in the applicable RFP so as to allow for an informed review. Incomplete or non-responsive applications will not be evaluated further. Applicants may revise their applications and re-submit them prior to the published deadline if there is sufficient time to do so.

§ 4284.512 Evaluation process.

(a) Applications will be evaluated by qualified reviewers appointed by the Agency.

(b) After all proposals have been evaluated using the evaluation criteria and scored in accordance with the point allocation specified in the applicable RFP, the Agency will present to the Administrator of RBS a list of all applications in rank order, together with funding level recommendations.

§ 4284.513 Evaluation criteria and weights.

Unless supplemented in a RFP, the criteria listed in this section will be used to evaluate grants under this subpart. Preference will be given to items in paragraphs (a) through (f) of this section. The distribution of points to be awarded per criterion will be identified in the applicable RFP.

(a) *Administrative capabilities.* The application will be evaluated to determine whether the subject Center has a track record of administering a nationally coordinated, regional or state-wide operated project. Centers that have capable financial systems and audit controls, personnel and program

administration performance measures and clear rules of governance will receive more points than those not evidencing this capacity.

(b) *Technical assistance and other services.* The Agency will evaluate the applicant's demonstrated expertise in providing technical assistance in Rural areas.

(c) *Economic development.* The Agency will evaluate the applicant's demonstrated ability to assist in the retention of businesses, facilitate the establishment of cooperatives and new cooperative approaches and generate employment opportunities that will improve the economic conditions of rural areas.

(d) *Linkages.* The Agency will evaluate the applicant's demonstrated ability to create horizontal linkages among businesses within and among various sectors in rural areas of the United States and vertical linkages to domestic and international markets.

(e) *Commitment.* The Agency will evaluate the applicant's commitment to providing technical assistance and other services to underserved and economically distressed areas in rural areas of the United States.

(f) *Matching Funds.* All applicants must demonstrate Matching Funds equal to at least 25 percent (5 percent for 1994 Institutions) of the grant amount requested. Applications exceeding these minimum commitment levels will receive more points.

(g) *Delivery.* The Agency will evaluate whether the Center has a track record in providing technical assistance in rural areas and accomplishing effective outcomes in cooperative development. The Center's potential for delivering effective cooperative development assistance, the expected effects of that assistance, the sustainability of cooperative organizations receiving the assistance, and the transferability of the Center's cooperative development strategy and focus to other States will also be assessed.

(h) *Work Plan/Budget.* The work plan will be reviewed for detailed actions and an accompanying timetable for implementing the proposal. Clear, logical, realistic and efficient plans will result in a higher score. Budgets will be reviewed for completeness and the quality of non Federal funding commitments.

(i) *Qualifications of those Performing the Tasks.* The application will be evaluated to determine if the personnel expected to perform key center tasks have a track record of positive solutions for complex Cooperative development or marketing problems, or a successful record of conducting accurate feasibility

studies, business plans, marketing analysis, or other activities relevant to Cooperative development center success.

(j) *Local support.* Applications will be reviewed for previous and expected local support for the Center, plans for coordinating with other developmental organizations in the proposed service area and coordination with state and local institutions. Support documentation should include recognition of rural values that balance employment opportunities with environmental stewardship and other positive rural amenities. Centers that demonstrate strong support from potential beneficiaries and formal evidence of the Center's intent to coordinate with other developmental organizations will receive more points than those not evidencing such support and formal intent.

(k) *Future support.* Applications that demonstrate their vision for funding center operations for future years, including diversification of funding sources and building in-house technical assistance capacity, will receive more points for this criterion.

§ 4284.514 Grant closing.

(a) *Letter of Conditions.* The Agency will notify an approved applicant in writing, setting out the conditions under which the grant will be made.

(b) *Applicant's intent to meet conditions.* Upon reviewing the conditions and requirements in the letter of conditions, the applicant must complete, sign and return the Agency's "Letter of Intent to Meet Conditions," or, if certain conditions cannot be met, the applicant may propose alternate conditions to the Agency. The Agency must concur with any changes proposed to the letter of conditions by the applicant before the application will be further processed.

(c) *Grant agreement.* The Agency and the grantee must enter into the Agency's "Agriculture Innovation Center Grant Agreement" prior to the advance of funds.

§§ 4284.515–4284.599 [Reserved]

§ 4284.600 OMB control number.

The reporting and recordkeeping requirements contained in this regulation have been approved by the Office of Management and Budget and have been assigned OMB control number 0570–0006 in accordance with the Paperwork Reduction Act of 1995.

■ 6. Subpart J of part 4284, consisting of §§ 4284.901 through 4284.1000 is added to read as follows:

Subpart J—Value-Added Producer Grants

Sec.

- 4284.901 Purpose.
 4284.902 Policy.
 4284.903 Program administration.
 4284.904 Definitions.
 4284.905–906 [Reserved]
 4284.907 Eligibility for grant assistance.
 4284.908 Use of grant and matching funds.
 4284.909 Limitations on use of funds and awards.
 4284.910 Application processing.
 4284.911 Evaluation screening.
 4284.912 Evaluation process.
 4284.913 Evaluation criteria and weights.
 4284.914 Grant closing.
 4284.915–4284.999 [Reserved]
 4284.1000 OMB control number.

§ 4284.901 Purpose.

This subpart implements the Value-Added agricultural product market development grant program (Value-Added Producer Grants) administered by the Rural Business-Cooperative Service whereby grants are made to enable producers to develop businesses that produce and market Value-Added agricultural products.

§ 4284.902 Policy.

It is the policy of the Secretary of Agriculture to fund a broad diversity of projects that help increase the agricultural producers' customer base and share of the food and agricultural system profit.

§ 4284.903 Program Administration.

The Value-Added Producer Grant program is administered by Cooperative Services within the Agency.

§ 4284.904 Definitions.

Planning Grants—Grants to facilitate the development of a defined program of economic activities to determine the viability of a potential Value-Added venture, including feasibility studies, marketing strategies, business plans and legal evaluations.

Working Capital Grants—Grants to provide funds to operate ventures and pay the normal expenses of the venture that are eligible uses of grant funds.

§§ 4284.905–4284.906 [Reserved]**§ 4284.907 Eligibility for grant assistance.**

(a) The proposed project must evidence a high likelihood of creating Value-Added for an Agricultural Product.

(b) Independent Producers, Agricultural producer groups, Farmer or Rancher cooperatives and Majority-Controlled Producer-Based Business Ventures, are eligible for grants under this subpart.

(c) An applicant that is a Farmer or Rancher cooperative, an Agriculture producer group or a Majority-Controlled Producer-Based Business Venture must be entering into an Emerging Market as a result of the proposed project. An applicant that is an Independent Producer does not have to be entering into an Emerging Market.

(d) No project may be the subject of more than one Planning Grant or more than one Working Capital Grant under this subpart. The same project may, however, be awarded one Planning Grant and subsequently apply for and receive a Working Capital Grant.

(e) Not more than one project per funding cycle per applicant may receive grant funding under this subpart.

§ 4284.908 Use of grant and matching funds.

(a) An application may be for either a Planning Grant or a Working Capital Grant, but not both.

(b) Grant funds may be used to pay up to 50 percent of the costs for carrying out relevant projects. Matching funds must be provided for the balance of costs.

(c) Matching funds may only be used for the same purposes allowed for grant funds.

(d) Planning Grant funds may be used to develop a business plan or perform a feasibility study to establish a viable marketing opportunity for a Value-Added producer. These uses include, but are not limited to, the following:

(1) Conduct, or hire a qualified consultant to conduct, a feasibility analysis of the proposed value added project to help determine the potential success of the project;

(2) Develop, or hire a qualified consultant to develop, a business operations plan that provides comprehensive detail on the management, planning and other operational aspects of the proposed project; and

(3) Develop, or hire a qualified consultant to develop, a marketing plan for the proposed Value-Added product(s) including the identification of a market window, potential buyers, a description of the distribution system and possible promotional campaigns;

(e) Working Capital Grant funds may be used to provide capital to establish alliances or business ventures that allow the producer of the Value-Added agricultural product to better compete in domestic or international markets. These uses include, but are not limited to, the following:

(1) Establish a working capital account to fund operations prior to

obtaining sufficient cash flow from operations;

(2) Hire counsel to provide legal advice and to draft organizational and other legal documents related to the proposed venture;

(3) Hire a Certified Public Accountant or other qualified individual to design an accounting system for the proposed venture; and

(4) Pay salaries, utilities and other operating costs such as inventory financing, the purchase of office equipment, computers and supplies and finance other related activities.

§ 4284.909 Limitations on use of funds and awards.

(a) In addition to the limitations provided in 7 CFR subpart A, neither grant nor matching funds may be used to fund architectural or engineering design work, or other planning work, for a physical facility;

(b) The total amount provided to any Value-Added project shall not exceed \$500,000;

(c) The aggregate amount of awards to majority controlled producer-based business ventures may not exceed ten percent of the total funds obligated under this subpart during any fiscal year.

§ 4284.910 Application processing.

(a) *Applications.* USDA will solicit applications on a competitive basis by publication of one or more RFPs. Unless otherwise specified in the applicable RFP, applicants must file an original and one copy of the required forms and a proposal.

(b) *Required forms.* The following forms must be completed, signed and submitted as part of the application package. Other forms may be required. This will be published in the applicable RFP.

(1) "Application for Federal Assistance."

(2) "Budget Information—Non-Construction Programs."

(3) "Assurances—Non-Construction Programs."

(c) *Proposal.* Each proposal must contain the following elements. Additional elements may be published in the applicable RFP.

(1) Title Page.

(2) Table of Contents.

(3) Executive Summary. A summary of the proposal should briefly describe the project including goals, tasks to be completed and other relevant information that provides a general overview of the project. In this section the applicant must clearly state whether the application is for a Planning Grant or a Working Capital Grant and the amount requested.

(4) Eligibility. The narrative must include a detailed discussion of how the applicant meets the eligibility requirements.

(5) Proposal Narrative. The narrative portion of the proposal must include, but is not limited to, the following:

(i) Project Title. The title of the proposed project must be brief, not to exceed 75 characters, yet describe the essentials of the project.

(ii) Information Sheet. A separate one page information sheet listing each of the evaluation criteria referenced in the RFP followed by the page numbers of all relevant material and documentation contained in the proposal that address or support the criteria.

(iii) Goals of the Project. A clear statement of the ultimate goals of the project. There must be an explanation of how a market will be expanded and the degree to which incremental revenue will accrue to the benefit of the agricultural producer(s).

(iv) Work Plan. The narrative must contain a description of the project and set forth the tasks involved in reasonable detail.

(v) Performance Evaluation Criteria. Performance criteria suggested by the applicant for incorporation in the grant award in the event the proposal receives grant funding under this subpart. These suggested criteria are not binding on USDA.

(vi) Proposal Evaluation Criteria. Each of the proposal evaluation criteria referenced in the RFP must be addressed, specifically and individually, in narrative form.

(6) Verification of Matching Funds. Applicants must provide a budget to support the work plan showing all sources and uses of funds during the project period. Applicants will be required to verify matching funds, both cash and in-kind. Sufficient information should be included such that USDA can verify all representations.

(7) Certification. Applicants must certify that matching funds will be available at the same time grant funds are anticipated to be spent and that matching funds will be spent in advance of grant funding, such that for every dollar of grant that is advanced, not less than an equal amount of match funds will have been funded prior to submitting the request for reimbursement.

§ 4284.911 Evaluation screening.

The Agency will conduct an initial screening of all proposals to determine whether the applicant is eligible and whether the application is complete and sufficiently responsive to the requirements set forth in the RFP to

allow for an informed review. Failure to address any of the required evaluation criteria will disqualify the proposal. Submissions which do not pass the initial screening may be returned to the Applicant. If the submission deadline has not expired and time permits, returned applications may be revised and re-submitted.

§ 4284.912 Evaluation process.

(a) Applications will be evaluated by agricultural economists or other technical experts appointed by the Agency.

(b) After all proposals have been evaluated and scored in accordance with the point allocation specified in the applicable RFP, Agency officials will present to the Administrator of RBS a list of all applications in rank order, together with funding level recommendations.

(c) The Administrator reserves the right to award additional points, as specified in the applicable RFP, to accomplish agency objectives (e.g., to ensure geographic distribution, distribution of a commodity or accomplish presidential initiatives.) The maximum number of points that can be added to an application cannot exceed ten percent of the total points of the original score.

(d) After giving effect to the Administrator's point awards, applications will be funded in rank order until all available funds have been obligated.

(e) In the event an insufficient number of eligible applications are received in response to a given RFP, time permitting, subsequent rounds of competition will be initiated by publishing subsequent RFPs.

(f) Unless a proposal is withdrawn, eligible but unfunded proposals from preceding competitions in a given fiscal year will be considered for funding in subsequent competitions in the same fiscal year.

§ 4284.913 Evaluation criteria and weights.

Unless supplemented in a RFP, the criteria listed in this section will be used to evaluate proposals submitted under this subpart. The distribution of points to be awarded per criterion will be identified in the applicable RFP.

(a) *Planning Grants.* (1) Nature of the proposed venture. Projects will be evaluated for technological feasibility, operational efficiency, profitability, sustainability and the likely improvement to the local rural economy. Points will be awarded based on the greatest expansion of markets and increased returns to producers. Evaluators may rely on their own

knowledge and examples of similar ventures described in the proposal to form conclusions regarding this criterion.

(2) Qualifications of those doing work. Proposals will be reviewed for whether the personnel who are responsible for doing proposed tasks, including those hired to do studies, have the necessary qualifications. If a consultant or others are to be hired, more points may be awarded if the proposal includes evidence of their availability and commitment as well.

(3) Project leadership. The leadership abilities of individuals who are proposing the venture will be evaluated as to whether they are sufficient to support a conclusion of likely project success. Credit may be given for leadership evidenced in community or volunteer efforts.

(4) Commitments and support. Producer commitments will be evaluated on the basis of the number of Independent Producers currently involved as well as how many may potentially be involved, and the nature, level and quality of their contributions. End user commitments will be evaluated on the basis of potential markets and the potential amount of output to be purchased. Proposals will be reviewed for evidence that the project enjoys third party support and endorsement, with emphasis placed on financial and in kind support as well as technical assistance.

(5) Work plan/Budget. The work plan will be reviewed to determine whether it provides specific and detailed planning task descriptions that will accomplish the project's goals. The budget will be reviewed for a detailed breakdown of estimated costs associated with the planning activities. The budget must present a detailed breakdown of all estimated costs associated with the planning activities and allocate these costs among the listed tasks. Points may not be awarded unless sufficient detail is provided to determine whether or not funds are being used for qualified purposes. Matching funds as well as grant funds must be accounted for in the budget to receive points.

(6) Amount requested. Points will be awarded based on the size of the grant request. Generally, requests for lower amounts will receive a higher score for this criterion than higher requests. The points to be awarded and request ranges will be established in the applicable RFP.

(7) Project cost per owner-producer. This is calculated by dividing the amount of Federal funds requested by the total number of producers that are owners of the venture. Points to be

awarded will be established in the applicable RFP.

(8) Presidential initiatives. Points may be awarded for proposals that focus on Presidential initiatives. Descriptions of these initiatives and the points to be awarded will be established in the applicable RFP.

(b) *Working Capital Grants.* (1) Business viability. Proposals will be evaluated on the basis of the technical and economic feasibility and sustainability of the venture and the efficiency of operations.

(2) Customer base/increased returns. Proposals that demonstrate strong growth in a market or customer base and greater Value-Added revenue accruing to producer-owners will receive more points than those that demonstrate less growth in markets and realized Value-Added returns.

(3) Commitments and support. Producer commitments will be evaluated on the basis of the number of Independent Producers currently involved as well as how many may potentially be involved, and the nature, level and quality of their contributions. End user commitments will be evaluated on the basis of identified markets, letters of intent or contracts from potential buyers and the amount of output to be purchased. Proposals will be reviewed for evidence that the project enjoys third party support and endorsement, with emphasis placed on financial and in kind support as well as technical assistance.

(4) Management team/work force. The education and capabilities of project managers and those who will operate the venture must reflect the skills and experience necessary to effect project success. The availability and quality of the labor force needed to operate the venture will also be evaluated. Proposals that reflect successful track records managing similar projects will receive higher points for this criterion than those that do not reflect successful track records.

(5) Work plan/Budget. The work plan will be reviewed for whether it provides specific and detailed planning task descriptions that will accomplish the project's goals and the budget will be reviewed for a detailed breakdown of estimated costs associated with the planning activities. The budget must present a detailed breakdown of all estimated costs associated with the venture's operations and allocate these costs among the listed tasks. Points may not be awarded unless sufficient detail is provided to determine whether or not funds are being used for qualified purposes. Matching funds as well as

grant funds must be accounted for in the budget to receive points.

(6) Amount requested. Points will be awarded based on the size of the grant request. Requests for lower amounts will receive a higher score for this criterion than higher requests. The points to be awarded and request ranges will be established in the applicable RFP.

(7) Project cost per owner-producer. This is calculated by dividing the amount of Federal funds requested by the total number of producers that are owners of the venture. Points to be awarded will be established in the applicable RFP.

(8) Presidential initiatives. Points may be awarded for proposals that focus on Presidential initiatives. Descriptions of these initiatives and the points to be awarded will be established in the applicable RFP.

§ 4284.914 Grant closing.

(a) *Letter of Conditions.* The Agency will notify an approved applicant in writing, setting out the conditions under which the grant will be made.

(b) *Applicant's intent to meet conditions.* Upon reviewing the conditions and requirements in the letter of conditions, the applicant must complete, sign and return the Agency's "Letter of Intent to Meet Conditions," or, if certain conditions cannot be met, the applicant may propose alternate conditions to the Agency. The Agency must concur with any changes proposed to the letter of conditions by the applicant before the application will be further processed.

(c) *Grant agreement.* The Agency and the grantee must sign the Agency's "Value-Added Producer Grant Agreement" prior to the advance of funds.

§§ 4284.915–999 [Reserved]

§ 4284.1000 OMB control number.

The reporting and recordkeeping requirements contained in this regulation have been approved by the Office of Management and Budget (OMB) and have been assigned OMB control number 0570–0039 in accordance with the Paperwork Reduction Act of 1995.

■ 7. Subpart K of part 4284, consisting of §§ 4284.1001 through 4284.1100 is added to read as follows:

Subpart K—Agriculture Innovation Demonstration Centers

Sec.	
4284.1001	Purpose.
4284.1002	Policy.
4284.1003	Program administration.

4284.1004	Definitions.
4284.1005–4284.1006	[Reserved]
4284.1007	Eligibility for grant assistance.
4284.1008	Use of grant funds.
4284.1009	Limitations on awards.
4284.1010	Application processing.
4284.1011	Evaluation screening.
4284.1012	Evaluation process.
4284.1013	Evaluation criteria and weights.
4284.1014	Grant closing.
4284.1015–4284.1099	[Reserved]
4284.1100	OMB control number.

§ 4284.1001 Purpose.

This subpart implements a demonstration program administered by the Rural Business-Cooperative Service whereby grants are made to innovation centers responsible for providing technical and business development assistance to agricultural producers seeking to engage in the marketing or the production of Value-Added products.

§ 4284.1002 Policy.

It is the policy of the Secretary of Agriculture to fund Centers which evidence broad support from the agricultural community in the state or region, significant coordination with end users (processing and distribution companies and regional grocers), strategic alliances with entities having technical research capabilities and a focused delivery plan for reaching out to the producer community. It is also the policy of the Secretary, using the research and technical services of the U.S. Department of Agriculture, to assist the grantees in establishing Centers. This program is not intended to fund scientific research.

§ 4284.1003 Program administration.

The Agriculture Innovation Demonstration Center program is administered by Cooperative Services within the Agency.

§ 4284.1004 Definitions.

Board of Directors—The group of individuals that govern the Center.

Center—The Agriculture Innovation Center to be established and operated by the grantees. It may or may not be an independent legal entity, but it must be independently governed in accordance with the requirements of this subpart.

Producer Services—Services to be provided by the Centers to agricultural producers. Producer Services consist of the following types of services:

(1) Technical assistance, consisting of engineering services, applied research, Scale Production Assessments, and similar services, to enable the agricultural producers to establish businesses to produce Value-Added agricultural commodities or products;

(2) Assistance in marketing, market development and business planning, including advisory services with respect to leveraging capital assets; and

(3) Organizational, outreach and development assistance to increase the viability, growth and sustainability of businesses that produce Value-Added agricultural commodities or products.

Qualified Board of Directors—A Board of Directors that includes representatives from each of the following groups:

(1) The two general agricultural organizations with the greatest number of members in the State in which the Center is located;

(2) The State department of agriculture, or equivalent, of the State in which the Center is located; and

(3) Entities representing the four highest grossing commodities produced in the State in which the Center is located, as determined on the basis of annual gross cash sales.

Scale Production Assessments—Studies that analyze facilities, including processing facilities, for potential Value-added activities in order to determine the size that optimizes construction and other cost efficiencies.

§ 4284.1005–4284.1006 [Reserved]

§ 4284.1007 Eligibility for grant assistance.

Non-profit and for-profit corporations, institutions of higher learning and other entities, including a consortium where a lead entity has been designated and agrees to act as funding agent, that meet the following requirements are eligible for grant assistance:

(a) The entity—
(1) Has provided services similar to those listed for Producer Services; or
(2) Demonstrates the capability of providing Producer Services;

(b) The application includes a plan that meets the requirements of § 4284.1010(c)(5)(iv) that also outlines—

(1) The support for the entity in the agricultural community;

(2) The technical and other expertise of the entity; and

(3) The goals of the entity for increasing and improving the ability of local agricultural producers to develop markets and processes for Value-Added agricultural commodities or products;

(c) The entity demonstrates that adequate resources (in cash or in kind) are available, or have been committed to be made available to the entity, to increase and improve the ability of local agricultural producers to develop markets and processes for Value-Added agricultural commodities or products; and

(d) The proposed Center has a Qualified Board of Directors.

§ 4284.1008 Use of grant funds.

Grant funds may be used to assist eligible recipients in establishing Centers that provide Producer Services and may only be used to support operations of the Center that directly relate to providing Producer Services. Grant funds may be used for the following purposes, subject to the limitations set forth in § 4284.10:

(a) Consulting services for legal, accounting and technical services to be used by the grantee in establishing and operating a Center;

(b) Hiring of employees, at the discretion of the Qualified Board of Directors;

(c) The making of matching grants to agricultural producers, individually not to exceed \$5,000, where the aggregate amount of all such matching grants made by the grantee does not exceed \$50,000;

(d) Applied research;

(e) Legal services; and

(f) Such other related purposes as the Agency may announce in the RFP.

§ 4284.1009 Limitations on awards.

The maximum grant award for an agriculture innovation center shall be in an amount that does not exceed the lesser of \$1,000,000 or twice the dollar amount of the resources (in cash or in kind) that the eligible entity demonstrates are available, or have been committed to be made available, to the eligible entity.

§ 4284.1010 Application processing.

(a) *Applications.* USDA will solicit applications on a competitive basis by publication of one or more Requests for Proposals (RFPs). Unless otherwise specified in the applicable RFP, applicants must file an original and one copy of the required forms and a proposal.

(b) *Required forms.* The following forms must be completed, signed and submitted as part of the application package. Other OMB approved forms may be required. This will be published in the applicable RFP.

(1) “Application for Federal Assistance.”

(2) “Budget Information—Non-Construction Programs.”

(3) “Assurances—Non-Construction Programs.”

(c) *Proposal.* Each proposal must contain the following elements. Additional elements may be published in the applicable RFP.

(1) Title Page.

(2) Table of Contents.

(3) Executive Summary. A summary of the proposal should briefly describe the project including goals, tasks to be

completed and other relevant information that provides a general overview of the project and the amount requested.

(4) Eligibility. A detailed discussion describing how the applicant meets the eligibility requirements.

(5) Proposal Narrative. The narrative portion of the proposal must include, but is not limited to, the following:

(i) Project Title. The title of the proposed project must be brief, not to exceed 75 characters, yet describe the essentials of the project.

(ii) Information Sheet. A separate one page information sheet listing each of the evaluation criteria referenced in the RFP followed by the page numbers of all relevant material and documentation contained in the proposal that address or support the criteria.

(iii) Goals of the Project. The first part of this section should list each Producer Service to be offered by the Center. The second part of this section should list one or more specific goals relating to increasing and improving the ability of identified local agricultural producers to develop a market or process for Value-Added agricultural commodities or products.

(iv) Work Plan. Actions that must be taken in order for the Producer Services to be available from the Center. Each action listed should include a target date by which it will be completed. General start up tasks should be listed, followed by specific tasks listed for each Producer Service to be offered, as well as tasks associated with the start of operations. The tasks associated with the start of operations should include a focused marketing and delivery plan directed to the local agricultural producers that were identified in paragraph (c)(5)(iii) of this section. The actions to be taken should include steps for identifying customers, acquiring personnel and contracting for services to the Center, including arrangements for strategic alliances.

(v) Performance Evaluation Criteria. Performance criteria suggested by the applicant for incorporation in the grant award in the event the proposal receives grant funding under this subpart. These suggested criteria are not binding on USDA.

(vi) Agricultural Community Support. Evidence of support from the local agricultural community should be included in this section. Letters in support should reflect that the writer is familiar with the provisions of the Plan for the Center, including the stated goals.

Evidence of support can take the form of making employees available to the

Center, service as a board member and other in-kind contributions.

(vii) Strategic Coordination and Alliances. Describe arrangements in place or planned with end users (processing and distribution companies and regional grocers) as well as arrangements with entities having technical research capabilities, broad support from the agricultural community in the state or region, significant coordination with end users (processing and distribution companies and regional grocers), strategic alliances with entities having technical research capabilities and a focused delivery plan for reaching out to the producer community.

(viii) Capacity. Evidence of the ability of the grantee(s) to successfully establish and operate a Center. A description of the grantee's track record in providing services similar to those listed for Producer Services or evidence that the entity has the capability to provide Producer Services. Resumes of key personnel should be included in this section. Past successes should be described in detail, with a focus on lessons learned, best practices, familiarity with producer problems in Value-Added ventures, and how these barriers are best overcome should be elaborated on in this section. For every challenge identified, the applicant should demonstrate how they are addressed in the Work Plan (see paragraph (c)(5)(iv) of this section). All successes should include a monetary estimate of the Value-Added achieved.

(ix) Legal structure. Provide a description of the legal relationship between the grantee(s) and the proposed Center. If the Center is to be an independent corporate entity, provide copies of the corporate charter, bylaws and other relevant organizational documents. Describe how funds for the Center will be handled and include copies of the agreements documenting the legal relationships between the Center and related parties. If the Center is not to be an independent legal entity, provide copies of the corporate governance documents that describe how members of the Board of Directors for the Center are to be determined.

(x) Evaluation Criteria. Each of the evaluation criteria referenced in the RFP must be specifically and individually addressed in narrative form. Supporting documentation, as applicable, should be included in this section, or a cross reference to other sections in the application should be provided, as applicable.

(xi) Verification of Adequate Resources. Present a budget to support the work plan showing sources and uses

of funds during the start up period prior to the start of operations and for the first year of full operations. Present a copy of a bank statement evidencing sources of funds equal to amounts required in excess of the grant requested, or, in the alternative, a copy of confirmed funding commitments from credible sources such that USDA is satisfied that the Center has adequate resources to complete a full year of operation. Include information sufficient to facilitate verification by USDA of all representations.

(xii) Certification of Adequate Resources Applicants must certify that non-Federal funds identified in the budget pursuant to paragraph (c)(5)(xi) of this section will be available and funded commensurately with grant funds.

§ 4284.1011 Evaluation screening.

The Agency will conduct an initial screening of all proposals to determine whether the applicant is eligible and whether the application is complete and sufficiently responsive to the requirements set forth in the applicable RFP so as to allow for an informed review. Incomplete or non-responsive applications will not be evaluated further, and may be returned to the applicant. Applicants may revise their applications and re-submit them prior to the published deadline if there is sufficient time to do so.

§ 4284.1012 Evaluation process.

(a) Applications will be evaluated by qualified reviewers appointed by the Agency.

(b) After all proposals have been evaluated using the evaluation criteria and scored in accordance with the point allocation specified in the applicable RFP, Agency officials will present to the Administrator of RBS a list of all applications in rank order, together with funding level recommendations.

(c) The Administrator reserves the right to award additional points, as specified in the applicable RFP, to accomplish agency objectives (e.g., to ensure geographic distribution, put emphasis on a specific commodity, or to accomplish presidential initiatives.) The maximum number of points that can be added to an application under this paragraph cannot exceed ten percent of the total points the application originally scored.

(d) After giving effect to the Administrator's point awards, applications will be funded in rank order until all available funds have been obligated.

§ 4284.1013 Evaluation criteria and weights.

Unless supplemented in a RFP, the criteria listed in this section will be used to evaluate grants under this subpart. The distribution of points to be awarded per criterion will be identified in the applicable RFP.

(a) *Ability to Deliver.* The application will be evaluated as to whether it evidences unique abilities to deliver Producer Services so as to create sustainable Value-Added ventures. Abilities that are transferable to a wide range of agricultural Value-Added commodities are preferred over highly specialized skills. Strong skills must be accompanied by a credible and thoughtful plan.

(b) *Successful Track Record.* The applicant's track record in achieving Value-Added successes.

(c) *Work Plan/Budget.* The work plan will be reviewed for detailed actions and an accompanying timetable for implementing the proposal. Clear, logical, realistic and efficient plans will result in a higher score. Budgets will be reviewed for completeness and the strength of non-Federal funding commitments.

(d) *Qualifications of personnel.* Proposals will be reviewed for whether the key personnel who are to be responsible for performing the proposed tasks have the necessary qualifications and whether they have a track record of performing activities similar to those being proposed. If a consultant or others are to be hired, points may be awarded for consultants only if the proposal includes evidence of their availability and commitment as well. Proposals using in-house employees with strong track records in innovative activities will receive higher points relative to proposals that out-source expertise.

(e) *Local support.* Proposed Centers must show local support and coordination with other developmental organizations in the proposed service area and with state and local institutions. Support documentation should include recognition of rural values that balance employment opportunities with environmental stewardship and other rural amenities. Proposed Centers that show strong support from potential beneficiaries and coordination with other developmental organizations will receive more points than those not evidencing such support.

(f) *Future support.* Applicants that can demonstrate their vision for funding center operations for future years, including diversification of funding sources and building in-house technical assistance capacity, will receive more points for this criterion.

§ 4284.1014 Grant closing.

(a) *Letter of Conditions.* The Agency will notify an approved applicant in writing, setting out the conditions under which the grant will be made.

(b) *Applicant's intent to meet conditions.* Upon reviewing the conditions and requirements in the letter of conditions, the applicant must complete, sign and return the Agency's "Letter of Intent to Meet Conditions," or, if certain conditions cannot be met, the applicant may propose alternate conditions to the Agency. The Agency must concur with any changes proposed to the letter of conditions by the applicant before the application will be further processed.

(c) *Grant agreement.* The Agency and the grantee must enter into an "Agriculture Innovation Center Grant Agreement" prior to the advance of funds.

§§ 4284.1015–4284.1099 [Reserved]**§ 4284.1100 OMB control number.**

The reporting and recordkeeping requirements contained in this regulation have been approved by the Office of Management and Budget and have been assigned OMB control number 0570–0045.

Dated: April 21, 2004.

Gilbert Gonzalez,

Acting Under Secretary, Rural Development.

[FR Doc. 04–9671 Filed 4–28–04; 8:45 am]

BILLING CODE 3410–XY–P

POSTAL SERVICE**39 CFR Part 111****Indemnity Claims for Domestic Mail**

AGENCY: Postal Service.

ACTION: Final rule.

SUMMARY: This final rule amends the regulations for indemnity claims as set forth in the *Domestic Mail Manual* (DMM) S010, Indemnity Claims, and related provisions of DMM S913, Insured Mail, and DMM S921, Collect on Delivery (COD) Mail. Other than the changes concerning time periods for filing claims and retention periods for undelivered accountable mail, the changes clarify existing DMM provisions or codify, in the DMM, policies not currently set forth in that manual.

DATES: May 1, 2004.

FOR FURTHER INFORMATION CONTACT: Jim Pretlow, 202–268–5389

SUPPLEMENTARY INFORMATION: In a proposed rule published in the **Federal**

Register on December 6, 2002 [Vol. 67, No. 235, pages 72626–72629], the Postal Service proposed to revise the procedures in the *Domestic Mail Manual* (DMM) for filing indemnity claims, to clarify the standards for payment of claims, and to incorporate policies not currently set forth in the DMM. (**Note:** Two minor procedural changes contained in the proposed rule have been eliminated in the final rule: elimination of local adjudication and the ability to enter claims via the web. Also, the word "sender" has been changed to "mailer"). One comment was received. After thorough consideration of the issues raised in this comment, the Postal Service adopts the proposed revisions with the modifications discussed below.

The revisions to the procedures for filing claims are made in conjunction with the redesign of the Postal Service's claim system and are intended to facilitate the provision of more timely decisions to Postal Service customers' claims. For example, customers are permitted to file claims sooner in some circumstances, thereby allowing decisions to be made closer to the mailing date. In addition, either the mailer or the addressee, whoever is in possession of the original mailing receipt, will be permitted to file a claim for the complete loss of a numbered Insured Mail, Registered Mail, collect on delivery (COD), or Express Mail article. Under past rules, only the mailer was permitted to submit such claims. The revisions do not change the procedures for unnumbered Insured Mail (articles insured for \$50 or less). As before, only the mailer will be allowed to file a claim for the complete loss of an unnumbered Insured Mail article.

The revisions also provide further clarification of what is acceptable evidence of value, codifying current policies into the DMM. Claims for damage require that the article and mailing container, including any wrapping, packaging, and any other contents that were received must be presented by the addressee to the Postal Service for inspection regardless of whether the mailer or addressee files the claim.

The new revisions will also:

(1) Clarify situations under which indemnity will not be paid, ensuring that current policies are codified in the DMM.

(2) Provide that the original sales receipt from a Postal Service retail terminal, listing the mailing receipt number and insurance amount, is acceptable evidence of insurance when the original mailing receipt is not available.

(3) Provide that initial appeals must be sent directly to Claims Appeals at the St. Louis Accounting Service Center (ASC), except appeals for unnumbered Insured Mail articles, which must be mailed to the Post Office™ where the claim was filed.

(4) Clarify the time limit in which a customer may forward a final appeal to the Consumer Advocate at Headquarters.

(5) Clarify that a mailer of a COD article may not stipulate "Cash Only."

Discussion of Comments

A summary of the comments and our analysis of each follows:

1. S010.2.2. The commenter raised two issues regarding the changes in the time for filing a claim for a lost or damaged COD article. First, the commenter stated that the requirement for waiting 45 days before filing a claim for a lost COD article is excessive compared to the timeframe for mail receiving other special services.

The Postal Service does not believe the proposed rule should be changed. Since handling procedures differ depending on the special service provided, it is inappropriate to establish uniform limits for filing claims. A COD article may be held at a delivery unit for up to 30 days before being returned to the mailer if unclaimed by the addressee (see DMM, D042.1.7.f). It should also be noted, the Postal Service proposal reduced the current waiting period for filing a claim for a lost COD article from 60 days to 45 days. As for other classes of mail or service, the new time frames took into consideration that the holding period is 5 days for Express Mail items and 15 days for Insured Mail or Registered Mail items.

Secondly, the commenter objected to the new requirement that a customer must file a claim no later than 45 days from the date of mailing when the contents of an article are damaged or missing from the container. The commenter states that if the COD article were not delivered until the 45th day after mailing, the mailer could not file a damage claim because the 45 days would have already passed.

The Postal Service believes there is merit in the concern raised. Accordingly, the Postal Service will revise the proposed rule to allow customers to submit damage claims no later than 60 days from the mailing date.

2. S010.2.5.a. The commenter states that the requirement for the original postmarked mailing receipt is inappropriate in that not all receipts will be postmarked. The Postal Service agrees that it erred in that Express Mail and point of service (POS) retail