



# Processing and Marketing Grant

## Introductory Booklet



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# Introduction

1. This brochure explains the Processing and Marketing Grant and the kind of projects that may qualify for grant aid. Please read it carefully. If you then decide you may want to apply for the scheme, you will also need to read the more detailed "Guidance on applications" which is available from your local MAFF office.
2. The scheme is one element of the EU Rural Development Regulation and part of the England Rural Development Programme (ERDP). It is designed to improve the agricultural processing and marketing infrastructure in England. Slightly different arrangements apply in Cornwall, Merseyside and South Yorkshire under the Objective 1 arrangements for those areas. Parallel arrangements have been made in Wales, Scotland and Northern Ireland under their respective Rural Development Plans (see Annex D).
3. The scheme offers capital grants for processing and marketing facilities to help farmers become more competitive, respond to consumer demand and add more value to their produce. The facilities must be for primary agricultural products (both inputs and outputs) and projects must give primary producers an adequate and lasting share of the resulting benefits. Grants will be awarded on a competitive basis i.e. only the projects that best meet national and regional objectives and priorities and the conditions of the scheme will receive grant.
4. Processing and Marketing Grants can be used to erect new buildings, refurbish old

premises and buy new equipment. Grants will normally be paid at a rate of 30% of total eligible costs. Applications can be made for grant on investments of any size over £70,000. The maximum grant will, however, be £1.2 million. About £44 million in total will be available for the scheme in England, over the period 2000 - 2006.

5. This brochure is only a guide to the Grant and the way it is operated is subject to change. Processing and Marketing Grants are governed by the legislation listed at Annex A.
6. Applications should be made to the local MAFF Office for the area in which the project is situated (Please see the separate contacts list for full details).



A selection of English Cheeses



## Who can apply?

7. The grant is open to applications from a wide range of those involved in agricultural production, processing, and marketing including:
  - sole traders;
  - private and public limited companies;
  - groups of producers who market their produce collaboratively;
  - individual producers who want to process and market their own produce, provided they are prepared to use other producers' products as well. Individuals using only their own output may, however, be eligible in certain specialised sectors where they have a large market share.
  - Producer Organisations, recognised under the EU's fruit and vegetable regime, may apply for PMG awards to support eligible items which are not included within a current EU-funded Operational Programme. Members of a recognised fruit and vegetable Producer Organisation may apply for PMG awards to fund activities outside the scope of their Producer Organisation's Operational Programme.

## Requirements for grant aid

8. The following is a summary of the main requirements for projects. Fuller details are provided in the separate "Guidance for Applicants" which can be obtained from

your local office. Some illustrative examples of possible projects are given in Annex C.

### Project objectives

9. Your project must meet one or more of the following objectives:
  - guide production in line with foreseeable market trends;
  - encourage the development of new outlets for agricultural products;
  - improve or rationalise marketing channels;
  - improve or rationalise processing procedures;
  - improve the presentation and preparation of products;
  - achieve the better use or elimination of by-products or waste;
  - apply new technologies;
  - apply innovation;
  - improve and monitor quality;
  - improve and monitor health conditions;
  - protect the environment.

### Type of produce processed and the end market

10. Both the input and the output of the final development must be primary agricultural products, normally sourced within the EU.
11. Most agricultural products are eligible for aid including red meat (in particular beef, lamb and farmed venison); pigmeat; milk

and milk products; eggs; poultry; cereals; oil producing crops; fruit and vegetables (including potatoes); hops; non-food crops including flowers and plants; seeds; and novel agricultural and horticultural products. Fisheries and forestry projects are not eligible.

12. You must be able to demonstrate that you have identified a normal (viable) market outlet for the product(s) of your project.

### Limits on project size

13. The minimum eligible size of a project is £70,000. Above this, a project can be of any size but the maximum grant will be £1.2m.

### Other requirements

14. You must be able to show that the project benefits the agriculture sector providing the raw materials for processing **and** that an adequate and lasting share of the economic benefits of the project will accrue to primary producers of the raw material.
15. You must also show that the project would not proceed without grant.
16. You must have obtained full planning permission for your project **before** you apply.

### Exclusions

17. There are a number of specific exclusions on investments and products eligible for aid. These are set out in Annex B.



Dry curing bacon

## What costs are eligible for aid?

18. Eligible items include the cost of erecting new buildings, refurbishing old buildings and new equipment. The EU rules do **not** permit grant on the costs of second hand equipment. Consultant's and architect's fees are also eligible for grant of up to 11% of total eligible project costs, provided they do not include costs involved in preparing applications or claims.
19. Beneficiaries of earlier PMG awards may apply for funding to develop their businesses further. However, such projects must be truly additional and it will **not** be possible to support the costs of replacing buildings or equipment purchased with the aid of an earlier PMG grant.



## Grant rate and funding of projects

- 20. Grant will normally be paid at a rate of 30% of eligible costs. Of this usually half will come from the EU and half will come from MAFF.
- 21. The total **public** sector contribution is limited to 30% with a maximum of £1.2m. (Public sector funding includes monies from the EU, government departments and agencies, non-departmental public bodies, local authorities, regional development agencies, the Small Business Service and the National Lottery, except where these bodies are acting as a conduit for private sector funds.) If other EU or UK public funds are obtained to support the costs of a project these will be discounted against the Processing and Marketing Grant to ensure that the total public sector contribution does not exceed 30%.
- 22. Applicants must find at least 45% of the total eligible project costs from their own resources (this may be drawn from financial reserves, be in the form of loans or hire purchase agreements but see also paragraph 34 (viii) below). Any balance must be from private financial contributions from industry partners and others.

## How to apply

- 23. On request, your local MAFF Office will send you the ERDP Application Form Part I and the Processing and Marketing Grant Supplementary Form, together with the accompanying detailed guidance notes on the information



Part of the cheese making process

required in support of your application. You should not start any work until you have received written confirmation from your local MAFF Office that your application has been successful. Any projects which breach this rule will not be considered for a Processing and Marketing Grant.

- 24. **All information given to your local MAFF Office will be treated in strict confidence.** You should be aware, however, that if successful, both MAFF and the EU reserve the right to publish the name of your company, the amount of grant you were awarded and a summary of your project.
- 25. You may use a consultant to prepare your application if you wish **but the application form must be signed by the applicant and not by the consultant.**
- 26. When you submit your application form, the local MAFF Office will write to you

acknowledging its receipt. If your project is ineligible, we will tell you this in writing as soon as possible. If your application is eligible, it will be subject to detailed technical appraisal. When the appraisal is complete, your application will then be considered alongside others by an Assessment Panel, which will comprise a senior MAFF official, a senior member of the Farming and Rural Conservation Agency (FRCA) and a representative of the relevant Government Office. Thus, there are three possible outcomes:

- (a) your project is not eligible for the grant. We will tell you as soon as possible.
- (b) your project is eligible for consideration but is not approved for an award. We will inform you of the reasons why your application was not successful. You may apply again with the same project on one further occasion (amending the application if you wish) **but only if you have not started work.**
- (c) your project is eligible and is approved for an award. We will write to you giving you a detailed letter of offer (a formal agreement setting out the terms and conditions of the award) for you to sign, and giving authority to start work.

## Selecting successful projects

- 27. Applications will be considered every three months and the application process

will normally take a maximum of six months. Awards of grant to successful applicants will normally be made four times a year.

- 28. Grants will be awarded on a competitive basis i.e. only the projects that best meet national and local priorities and the conditions of the scheme will receive grant.
- 29. In selecting projects for an award, MAFF will consider the extent to which the project meets the requirements of the scheme and also the extent to which it meets national and regional objectives and priorities (these are set out in the ERDP, which can be viewed on the MAFF website (<http://www.maff.gov.uk>) or obtained as a priced publication from MAFF Publications, Admail 6000, London SW1A 2XX, tel. 08459 556000).

## Monitoring of projects and payment of grant

- 30. It is important that we are able to monitor the progress of your project and evaluate its success following completion. We will ask you to provide regular updates on its progress and, two years after completion, a final report on its performance and outcome. The project may be inspected at any reasonable time and all projects will be inspected on completion. Payments of grant will depend on the results of these inspections.

### Claims

- 31. Final claims for payment of grant should



be submitted as soon as possible after the project is complete, and in no circumstances later than six months after completion of the project. You may make two interim claims for up to 80% of the value of your award. Claim forms and guidance notes on how to claim will be issued when the award is confirmed. Claims will only be paid when MAFF is satisfied the relevant expenditure has taken place and that the work has been completed according to plan. Payment will be made by electronic transfer to your bank account.

#### After the project has been completed

- 32. It will be a requirement of our grant award that equipment purchased with the aid of a Processing and Marketing Grant, and any buildings on which grant is paid, must be kept operational and in good repair, and used for the same purpose as set out in the original application, for at least five years from the date of completion of the project. This is to ensure the longevity of the project and to guarantee primary producers a lasting share of the project's benefits.
- 33. You must allow officials from MAFF, or their representatives, to inspect the project at any reasonable time after completion.

#### Conditions of award

- 34. The award of a Processing and Marketing Grant is made subject to terms and conditions, including those set out below. **Failure to meet the terms and conditions of the award could result**

**in the cancellation of your award and/or the recovery of sums already paid, or a reduction of the amount of grant payable.**

#### Conditions

- (i) The award is made on the basis of statements made by you or your representatives in the application form and subsequent correspondence. **The making of false statements is an offence.**
- (ii) You may not begin any work on the project without first obtaining written authority to do so from MAFF.
- (iii) You must meet any legal obligations imposed under EU and UK law, including hygiene legislation.
- (iv) No alterations may be made to the project without the prior written approval of MAFF.
- (v) Claims must be submitted in the correct format and accompanied by all necessary documentation. If not, they will not be accepted and will be returned to the claimant.
- (vi) You must submit your claim(s) in accordance with the timetable set out in the offer letter. You must not deviate from the agreed timing and value of your claims without prior written agreement from MAFF.
- (vii) Projects should be completed within the timetable agreed with MAFF. You should not deviate from this without prior written agreement from MAFF.

- (viii) No grant can be paid on any item not owned by you. Any items on hire purchase must be paid for in full before they can be aided.
- (ix) You must confirm that none of the items covered by the application are replacements under an insurance claim.
- (x) You must provide confirmation that no other public funding (whether from EU or UK sources) has been sought.
- (xi) Any publicity given to the project must make reference to the part played by both the European Union and MAFF in funding it.

under the Rural Enterprise Scheme (RES). The RES has a number of elements but several are of particular interest to potential PMG applicants. These include the provision of grant aid for: initiatives on the marketing of quality agricultural products; feasibility studies and other project development costs; and the employment of key marketing staff. Support for the costs of planning advice in relation to on-farm diversification projects is also likely to be associated with the RES. A separate ERDP measure offers support for the training of staff.

- 36. Requests for support under the PMG and other ERDP measures may be made in one application, or sequentially if timing and other practical considerations make that more appropriate. For further information you should contact your local MAFF office.

#### Other ERDP funding opportunities

- 35. Although the PMG provides funding for capital investment, with suitable projects there is the opportunity to develop linkages with non-capital England Rural Development Programme (ERDP) measures, notably with some measures



Quality control: the inspection of a pork carcass



British beef steaks

## Annex A Legislation

This brochure is only a guide to the Processing and Marketing Grant and does not represent an interpretation of the legislation; only the Courts can rule authoritatively on such matters. It is recommended that you study the legislation before applying. EC Regulations and UK Statutory Instruments may be obtained from most public libraries or from:

### The Stationery Office

Publications Centre  
P.O. Box 276  
London  
SW8 5DT

**Tel: 0207 873 9090**

*The relevant Regulations are:*

Council Regulation (EC) No. 1257/99 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations;

Council Regulation (EC) No. 1750/1999 of 23rd July 1999 laying down detailed rules for the application of Council Regulation (EC) No. 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF);

The Commission Decision approving the England Rural Development Programme (date and reference not available at the time of going to print);

The Agricultural Processing and Marketing Grant Regulations 2000 (at the time of going to print, awaiting Parliamentary approval).

## Annex B Exclusions

The following investments are excluded in all sectors:

- investments at the retail level;
- those concerning the processing of non-EU raw material (in practice, when these inputs make up more than 10% of a project's annual input);
- those concerning inputs and outputs of material not covered by Annex I to the Treaty of Rome (i.e. non-primary agricultural products);
- products for which no realistic market can be demonstrated;
- intervention stores;
- cold stores for frozen products, except where part of the normal processing operation;
- investments to replace items purchased with a Processing and Marketing Grant;
- upgrades to meet statutory requirements.

### Specific exclusions by sector

- (a) Products imitating milk or milk products: no aid may be granted which concerns the manufacture and marketing of products which imitate or substitute for milk and milk products.
- (b) Sugar sector: aids for investment in processing and marketing activities in the sugar sector are, in general, implicitly prohibited by the common organisation of the market.

## Annex C

### Examples of possible projects

Some illustrative examples of potential projects involving the processing of primary products might be:

- **a group of potato producers** may want to upgrade, rationalise and amalgamate their storage and grading facilities into a larger, more economical unit with better environmental control;
- **a fruit processing company** may wish to process English fruit and use new packaging techniques to exploit the market for specialist fruit juices;
- **a livestock market** may wish to improve its facilities for animal welfare, make improvements to sale rings to speed up sales, and improve its effluent handling;
- **a meat processing company** may want to build a new plant to improve the eating quality of the meat. This may include the installation of controlled atmosphere packaging equipment, investment in electronic data capture and transmission to improve efficiency and product quality, and better effluent treatment systems;
- **a small dairy business** may wish to expand its cheese-making operation to take advantage of the growing market for speciality cheeses;

- **a poultry processor** may wish to invest in new packaging facilities which reduce the volume of packaging material and the proportion of non-recyclable

## Annex D

### The Grant in the rest of the UK

In Wales, Scotland and Northern Ireland the grant is separately administered under their respective Rural Development Plans by the National Assembly of Wales Agricultural Department, the Scottish Executive Rural Affairs Department and the Northern Ireland Assembly: Department of Agriculture and Rural Development. They can be contacted at the following addresses:

#### National Assembly of Wales Agriculture Department

Crown Buildings  
Cathays Park  
Cardiff  
CF1 3NQ

**Tel: 02920 825130**

#### Scottish Executive Rural Affairs Department

Pentland House  
47 Robb's Loan  
Edinburgh  
EH14 1TY

**Tel: 0131 244 6102**

#### Northern Ireland Assembly: Department of Agriculture and Rural Development

Food Policy Division  
Dundonald House  
Upper Newtownards Road  
Belfast  
BT4 3SB

**Tel: 02890 524499**

Notes





## Contacting MAFF

If you have a query and are unsure about who to talk to in MAFF, you can call the MAFF Helpline who will be pleased to help you to find the right person.

**MAFF Helpline: 0645 33 55 77** (*local call rate*)



[www.maff.gov.uk](http://www.maff.gov.uk)

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