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Running a Successful Farm Business

Financing Your Farm

Whether you are considering starting a new venture or expanding your existing farm business, access to adequate capital can be a challenge. To address this need, there are loan and grant programs designed specifically for farm and food businesses. Farms may also be eligible for small business loan programs based on a range of criteria: minority or women-run, youth, business location in a rural area, etc. This fact sheet covers:

- Self-financing and private capital;
- Washington State Housing Finance Commission Loan;
- Northwest Farm Credit Services Loan;
- USDA Farm Service Agency Loans;
- USDA Rural Development Grants;
- Craft3 Loans;
- Small Business Administration Loans;
- HumanLinks Foundation Loans and
- Slow Money NW Loans and Grants.

Self-financing and Private Capital

Financing for start-up businesses may include personal funds; loans from private investors such as family, friends, business associates and suppliers; home equity loans; refinancing of real estate; credit card lines of credit; value on life insurance policies and co-signing possibilities.

The key step in financing is creating a business plan and/or doing a close review of all financial statements to ensure they are accurate and complete. These financial statements generally include actual or projected balance sheets, profit and loss statements, cash flow projections, break-even analysis, sources and uses of funding, tax returns, schedule of existing indebtedness and, if a privately-held company, your personal financial statements.

If you are not able to get financing from commercial banks, savings and loans or other financial institutions, other options include seeking investors, finding someone to guarantee your loan or finding an institution with more flexible lending requirements. The following information may get you started in your search.

Washington State Housing Finance Commission Loan

The Washington State Housing Finance Commission's **Beginning Farmer/Rancher Loan Program** is a public agency that offers low-interest loans that can be combined with other loans and grants, such as those from Northwest Farm Credit Services and USDA's Farm Credit Services. The total loan amount available changes annually and is linked to inflation. For 2014, loans are available up to

\$509,600 for land and improvements. The equipment costs are in state code and have not changed since the program's inception in 2008. \$125,000 is available for new depreciable agricultural property or equipment, and \$62,500 for used depreciable property or equipment.

Individuals or families who have not owned and operated a farm or ranch, or, those who have owned and operated a farm or ranch that was less than 30% of the county's median farm size are eligible. The borrower must directly manage and work the farm/ranch. Off-farm income is allowed. For more information, please see: www.wshfc.org/FarmRanch.

Northwest Farm Credit Services Loan

Northwest Farm Credit Services is a private company with offices throughout Washington. They offer a **Ag Vision: Loans for Young, Beginning, or Small Producers** program is designed to meet the needs of customers with at least one of the following characteristics:

- 35 years of age or younger;
- less than 10 years agricultural experience; or
- producer with farm production less than \$250,000 annually.

Northwest Farm Credit Services also has other programs that offer financing to farmers, ranchers, agribusinesses, commercial fishermen, timber producers. For more information, please see: www.farm-credit.com.

USDA Farm Service Agency (FSA) Loans

The USDA Farm Service Agency (FSA) is a public agency that provides loans to established as well as beginning farmers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender. FSA has a variety of types of loans available and farmers can apply for more than one type of loan at a time. The types of loans available include:

- **Farm ownership loans.** To purchase or enlarge a farm or ranch, construct a new, or improve an existing, farm or ranch building, pay closing costs, and pay for soil and water conservation and protection. FSA has special down payment options for beginning farmers and ranchers.
- **Operating loans.** To purchase livestock and equipment and pay for minor real estate repairs and annual operating expenses.
- **Microloans.** Designed with shortened application process and reduced paperwork to meet the needs of smaller, non-traditional, and niche type operations, there is no minimum for the microloan. The maximum amount in 2014 was \$35,000.
- **Emergency loans.** Financial assistance for a qualifying loss caused by natural disasters that damaged your farming or ranching operation. Emergency loan funds may be used to restore or replace essential property, pay all or part of production costs associated with the disaster year, pay essential family living expenses, reorganize the farming operation, and refinance certain debts.
- **Conservation loans.** To finance the implementation of a conservation practice in an approved conservation plan.
- **Land contract guarantees.** To provide certain financial guarantees to the seller of a farm or ranch through a land contract sale to a beginning or socially disadvantaged farmer or rancher.

- **Farm storage facility loans.** To provide low-interest financing for producers to build or upgrade farm storage and handling facilities. These loans are available for most crops including grains, oilseeds, fruits, vegetables and hay. Check FSA for eligible crops.

Additionally, FSA makes operating loans of up to \$5,000 to eligible individual rural youth age 10 through 20 to finance income-producing, agriculture-related projects. The project must be of modest size, educational, and initiated, developed and carried out by rural youths participating in 4-H clubs, Future Farmers of America or a similar organization. For complete information on FSA loan programs, please see the Farm Service Agency website at: www.fsa.usda.gov.

USDA Rural Development Grants

USDA Rural Development is a public agency that has several grant programs. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, nonprofit corporations, Indian tribes, and private companies. Rural Development's grant programs for farmers include financing for projects from alternative energy (REAP) to value-added food processing as well as larger, regional enterprises.

- Rural Business Enterprise Grants: www.rurdev.usda.gov/wa/BUSRBEG.htm
- Rural Business Opportunity Grant: www.rurdev.usda.gov/wa/BUSRBOG.htm
- Rural Economic Development Grant: www.rurdev.usda.gov/wa/BUSREDDG.htm
- Value Added Producers Grant: www.rurdev.usda.gov/wa/BUSVAPG.htm
- 2008 Farm Bill Renewable Energy Provisions:
www.usda.gov/documents/FB08_Pub_Mtg_Renew_Energy_Factsheet.pdf
- Rural Energy For America Program (REAP): www.rurdev.usda.gov/wa/BUSREAP.htm

For more information, please visit: www.rurdev.usda.gov/wa/BUSgrants.htm or call the Washington State office at (360) 704-7710.

Craft3 Loans

Craft3 is a nonprofit lender serving Washington and Oregon by providing loans to entrepreneurs, nonprofits, individuals and others who do not normally have access to financing. Business loans are tailored to your unique situation, whether you have an existing business, or a plan for a new business. Business loans can be used to finance real estate, working capital and/or financing for the acquisition of additional or replacement furniture, fixtures, equipment and related personal property. Craft3 complements their financial resources with additional expertise, networks and advocacy for their clients. Craft3 provided almost \$1 million in capital to businesses in the food systems industry in 2013. For office locations, company profiles of the businesses they have funded, for an application, or more information, please visit: www.Craft3.org, call (206) 447-9226, or email: info@craft3.org.

Small Business Administration Loan

The Small Business Administration (SBA) has a "7(a) Program" that provides loan guarantees to small businesses for working capital or fixed asset purchases. This loan guarantee is a promise by SBA to

assume a private debt obligation if the borrower defaults. Visit www.sba.gov or www.sba.gov/financialassistance/borrowers/guaranteed for more information.

HumanLinks Foundation Loans

The HumanLinks Foundation offers a micro-loan program for sustainable farmers in Washington. As of August 1, 2014, in partnership with Banner Bank, sustainable farmers may apply for loans ranging from a minimum of \$2,500 to a maximum of \$30,000. Loans to sustainable farmers are offered at a 3% interest rate for up to 5 years. For more information and a copy of the application, please contact nancy@humanlinksfoundation.org.

Slow Money NW Loans and Grants

Slow Money NW has developed loan and grant programs to support regional food systems and farm and food businesses. Many of these programs are innovative funding packages and may be offered once (not annually). Programs include:

- The Cascadia Foodshed Funding Project
- Farmer Reserve Fund
- Seeds of Success Incentive Program

For more information on these or upcoming funding programs contact www.slowmoneynw.org or contact them at info@slowmoneynw.org or (206) 300-9860.

Recommended Fact Sheet

1. Networks for Washington State Small Farms

For further information, to provide comments, or suggest a resource to add to this fact sheet, please email smallfarms@agr.wa.gov or call (360) 902-2888.