

Access to capital is critical for any business, whether for a new venture or expansion of an existing farm or food business. There are loan and grant programs designed specifically for farms, ranches, and food businesses. Some of these resources are designed for farms that are not able to get traditional financing from commercial banks. Several are most effective when used in combination. Farm businesses may also find general small business loan programs are a good fit, including those oriented to businesses run by women, minorities, veterans, or youth, or that operate in rural areas.

**This fact sheet includes information on:**

- Business and financial planning
- Private investment and self-financing
- Crowdfunding
- Northwest Farm Credit Services loans
- USDA loan and grant programs (FSA, NRCS, RD, and SARE)
- United States Small Business Administration loans
- Washington State Housing Finance Commission loans
- Craft3 loans
- Human Links Foundation loans and grants
- Local funding programs
- Additional resources

## **Business and Financial Planning**

The first step in seeking financing from any source is creating a business plan and doing a close review of your business finances. Reviewing past financial statements and developing projections will help with your own business planning. It will also be requested by lenders and investors.

Financial statements generally include actual or projected balance sheets, and income and cash flow statements. Additional useful reports include a break-even analysis, sources and uses of funding, tax returns, schedule of existing indebtedness and, if a privately held company, your personal financial statements. Oregon State University's "Financial Management" publication for direct marketing farms

is a useful guide and includes a downloadable sample financial statements at [catalog.extension.oregonstate.edu](http://catalog.extension.oregonstate.edu).

The "one-page" business plan is an efficient and effective way to develop a business plan. Increasingly, lenders are familiar with and will accept this type of plan. A variety of tools to develop this format of business plan can be found by searching online.

## **Private Investment and Self-financing**

Financing to provide working or start-up capital can come from personal funds; gifts or loans from family, friends, business associates or suppliers; home equity loans; refinancing of real estate; selling farmland development rights; credit card or personal lines of credit; value on life insurance policies; and private investor possibilities.

## **Local Investing Networks**

One way to connect with investors interested in small food and farming businesses is through impact investment groups interested in supporting local businesses and farming efforts. Slow Money NW, [slowmoneynw.org](http://slowmoneynw.org) or 206-300-9860, is an example of a local investment group that has organized initiatives to specifically support farm and food businesses. Other investor networks are informal, focused on opportunities to network and create friendships that may open the door to personal investments. One example is the Clallam Opportunity Investment Network (COIN). Local Investing Resource Center, [local-investing.com](http://local-investing.com), hosts a directory of local investing networks and additional information. A local economic development office or chamber of commerce may also have information about local investment groups.

## **Crowdfunding**

Raising small amounts of money from a large number of individuals through the internet can be a good way to fund specific projects or investments on the farm. Commonly known crowdfunding platforms are Kickstarter.com, Indiegogo.com, or GoFundMe.com. Barnraiser.com is a crowdfunding program specifically focused on food and farming businesses.

## RUNNING A SUCCESSFUL FARM BUSINESS

In addition to being a way to raise capital, crowdfunding is a good way to build your network of loyal customers, test a new product idea, or meet a timely funding need in a short timeframe. This form of financing requires a significant investment in social media. It helps if you have a project with a great story, and are media savvy or have a skilled person who can manage the campaign.

### Northwest Farm Credit Services Loans

Northwest Farm Credit Services is a financial cooperative that specializes in rural and agricultural financing. Their AgVision program offers loans to young, beginning, and small producers that have at least one of the following characteristics:

- Farm production of less than \$350,000 annually
- 35 years old or younger
- Less than 10 years agricultural experience

Find local Washington branch information at [northwestfcs.com](http://northwestfcs.com) or 800-743-2125.

### USDA Farm Service Agency (FSA) Loans

The USDA Farm Service Agency (FSA) is a public agency, providing low-interest loans to established and beginning farmers who cannot obtain commercial credit from a bank, or other lender. Farmers can apply for more than one type of loan at a time, meeting general FSA eligibility just once. Funds are allocated annually, and the most popular forms of FSA loans may run out part-way through the year. Farmers are encouraged to apply in the fall at the beginning of the funding cycle.

The two types of FSA loans are: *Guaranteed*, when FSA guarantees the loan and a bank sets the terms and rates, and lends you the money, and *Direct*, when FSA lends to the farmer directly at terms and rates set by Congress.

### FSA Guaranteed Loans

- **Operating and EZ Guarantee loans.** To purchase livestock, equipment, and pay for real estate repairs, annual operating expenses, certification costs, and more. The EZ loan has a shortened application process and reduced paperwork for smaller businesses and loans.

- **Ownership and EZ Guarantee loans.** For investments such as buying a farm or ranch, or constructing a new or improving an existing farm or ranch building. Terms are variable depending on the size of loan, and FSA caps the rates. The EZ loan has a shortened application process and reduced paperwork for smaller businesses and loans.
- **Conservation loans.** To finance the implementation of a Natural Resource Conservation Service (NRCS) practice in an approved conservation plan.
- **Land contract guarantees.** For a beginning or socially disadvantaged farmer or rancher to buy a farm from an established farmer through a land contract sale. Requires a 5 percent down payment.

### FSA Direct Loans

- **Micro-loans for operating funds, farm ownership, and farm storage facilities.** Designed with a shortened application process and reduced paperwork for smaller operations and smaller loans (less than \$50,000).
- **Farm storage facility loans.** To provide low-interest financing for producers to build or upgrade farm storage, packing, drying, and handling facilities. The farmer pays 15 percent down, and payment begins after building or buying is underway.
- **Operating loans.** To purchase livestock and equipment and pay for real estate repairs, and annual operating expenses.
- **Ownership loans.** For buying a farm, making capital improvements, or soil and water conservation projects. FSA has special down payment options for beginning farmers and ranchers.
- **Down payment loans.** For buying a farm. FSA loans up to 45 percent of the cost of the farm, or up to \$300,000 to beginning or socially disadvantaged farmers or ranchers. The farmer pays 5 percent down and finances the remainder of the farm.
- **Direct ownership joint financing.** For buying a farm or a ranch. A hybrid loan, this combines a direct loan from FSA and a loan from a traditional lender.
- **Emergency loans.** Financial assistance for a wide variety of qualifying losses caused by natural disasters.

- **Youth loans.** Operating loans of up to \$5,000 to eligible individual rural youth, age 10 through 20 to finance income-producing, agriculture-related projects.

The Farmland Information Center, [farmlandinfo.org](http://farmlandinfo.org), has a number of helpful guides for farmers about FSA loans, including “Farm Service Agency Loans: The Ins and Outs of Growing a Farm with Federal Loans,” which includes an illustrated matrix of all the types of FSA loans, what they are for, interest rates, max amounts available, and the terms. Find the full list of FSA programs in Washington at [fsa.usda.gov/state-offices](http://fsa.usda.gov/state-offices) or 509-323-3000.

### USDA Natural Resource Conservation Service (NRCS) Grants and Cost Share Programs

NRCS offers technical and financial assistance to farms and ranches for improved conservation practices. Some of these can help with on-farm investments in facilities, equipment, and operational practices, including cost sharing to install high tunnels through the Environmental Quality Incentives Program (EQIP) and the Conservation Innovation Grants. For details, search for “Financial Assistance” on the NRCS website, [nrcs.usda.gov](http://nrcs.usda.gov). Local conservation districts can help farms learn about and apply for these programs. The Washington State Conservation Commission website has a directory, [scc.wa.gov](http://scc.wa.gov).

### USDA Rural Development (RD) Loans and Grants

USDA Rural Development is a public agency that offers multiple loan and grant programs to help improve the economy and quality of rural life. USDA Rural Development programs range from serving individuals to whole communities. For grants oriented to community-scale projects, farms need to partner with others, such as cooperatives, public entities, non-profit organizations, Indian tribes, or private businesses. Other programs are intended for farmers or groups of farmers to apply directly.

- **Value Added Producer Grant** helps agricultural producers enter into value-added processing or marketing activities for new products. Funds are for working capital and planning expenses.
- **Rural Energy for America Program (REAP)** offers financing to agricultural producers and small businesses for renewable energy systems and energy efficiency improvements.

Find the full list of programs on the USDA Rural Development website, [rd.usda.gov](http://rd.usda.gov), and contact the Washington State Rural Development office, 360-704-7740, to learn more about which of these may be a fit for your farm.

### USDA Sustainable Agriculture Research and Education (SARE) Grants

The USDA Western Region SARE program offers a variety of grants. The **Farmer/Rancher** grant funds individual farmers to conduct onsite projects that can improve farm operations. Individuals may apply for up to \$20,000, and groups of three or more producers may apply for up to \$25,000. Sign up to be notified of Requests for Proposals (RFPs) and application due dates at [westernsare.org](http://westernsare.org), [wsare@montana.edu](mailto:wsare@montana.edu), or 406-994-4789.

### United States Small Business Administration Loans

The U.S. Small Business Administration (SBA) is a public agency offering loan guarantees for working capital or fixed-asset purchases for all kinds of small businesses. Some loan guarantees come with continued support to help you start and run your business. Find SBA loan information or search by zip code for your local office at [sba.gov](http://sba.gov).

### Washington State Housing Finance Commission Loan

The Washington State Housing Finance Commission is a public agency that offers a **Beginning Farmer/Rancher Loan Program**, in partnership with Northwest Farm Credit Services, that offers low-interest loans to help farmers get started with land, equipment, buildings, and animals. The loan amount available changes annually and is linked to inflation. In 2019, loans for land and improvements were available to up to \$524,200. Financing can be combined with other loans and grants for larger projects.

The limits on equipment loans are set by state code. Up to \$250,000 is available for new depreciable agricultural property or equipment, and \$62,500 for used depreciable property or equipment. Individuals who have not previously owned and operated a farm or ranch, or those who own and operate a farm or ranch less than 30 percent of the county’s median farm size are eligible. Off-farm income is allowed. Find information at [wshfc.org](http://wshfc.org), or call 509-340-5476.

## Craft3 Loans

Craft3 is a nonprofit lender serving Washington and Oregon with loans to entrepreneurs, nonprofits, individuals and others who do not normally have access to financing. Business loans can be used to finance real estate, working capital and financing for the acquisition of additional fixtures, and equipment. Craft3 also offers food and farm business development expertise and a network of resources, [craft3.org](http://craft3.org), 206- 447-9226, or [info@craft3.org](mailto:info@craft3.org).

## HumanLinks Foundation Loans and Grants

HumanLinks Foundation, [humanlinksfoundation.org](http://humanlinksfoundation.org), offers low-interest loans for farmers ranging from \$2,500-\$25,000 for up to five years at an interest rate of 3 percent. Loans are available year-round. The Washington State Organic and Sustainable Farming Fund is a grant program run by HumanLinks Foundation and Tilth Alliance. This competitive grant program opens in late fall, and applications are due soon after the first of the year, with funding available in the spring. Find more information at [tilthalliance.org](http://tilthalliance.org). Farmers are encouraged to contact Nancy Iscovitz at [nancy@humanlinksfoundation.org](mailto:nancy@humanlinksfoundation.org) before applying for the grant or a loan.

## Local Funding Programs

Around Washington, private and public organizations have funding programs that serve specific regions. Two examples are listed here. Check with local food and farm organizations to learn if similar funding programs serve your area.

- King Conservation District Regional Food System Grant supports projects that contribute to the economic viability of local farmers. Individual farmers are eligible, though partnerships are encouraged. Applicants do not have to be based in King County, but the projects must take place there. See [kcd.org](http://kcd.org) for details
- Community Food Co-op Farm Fund offers annual grants, low-interest revolving loans, scholarships, and emergency funds for farmers within a two-county region of its stores in Bellingham, Washington. Find information at [communityfood.coop.org](http://communityfood.coop.org), or 360-734-8158.

## Additional Resources

The Farmland Information Center, a partnership between American Farmland Trust and USDA has a wealth of helpful information and tools for farms and nearly every aspect of farm financing. Search [farmlandinfo.org](http://farmlandinfo.org) for "Access to Capital."



1. Resources for Small Farms in Washington
7. Finding Land to Farm