

# Access to Financing and Means of Production

Like most businesses, farming requires capital. The most basic of these is land, but it can also include seed, livestock, buildings, and equipment. These capital requirements can be a major obstacle for beginning farmers.

There are many ways to overcome these obstacles, several of which can be low-cost, low-risk ways to enter farming. Examples include farming part-time, partnerships, farm transfer arrangements, equity building arrangements, and low-capital production methods such as rotational grazing and using alternative livestock housing.

Owning land is not a prerequisite to becoming a farmer. Consider renting and leasing land, or look around for underutilized farmland that you could use at little or no cost. When the time is right, you can purchase land and already have experience behind you to begin working your own land.

Another way to address the capital requirements is through financing. If you are in need of financing, there are programs and loan opportunities designed specifically for beginning farmers.

In addition, there are many cost-share and other financial assistance programs available for implementing certain practices on your land (primarily, these are focused on conservation practices). These can help to offset some of your capital costs.

## Publications

**Agricultural Production Contracts**, Phillip L. Kunkel and Scott T. Larison, 1998, University of Minnesota Extension Service, publication no. FO-07302-GO, fact sheet.

Contracts are an increasingly important aspect of agricultural production and marketing. This fact sheet deals with the legal considerations involved in agricultural production contracts. Available from University of Minnesota Extension Service Distribution Center

- 405 Coffey Hall • 1420 Eckles Ave. • St. Paul, MN 55108-6069 • phone: (612) 624-4900 or (800) 876-8636 • fax: (612) 625-6281
- e-mail: [order@extension.umn.edu](mailto:order@extension.umn.edu)
- or see the full text on-line at: [www.extension.umn.edu/distribution/businessmanagement/DF7302.html](http://www.extension.umn.edu/distribution/businessmanagement/DF7302.html)

**Building Better Rural Places: Federal Programs for Sustainable Agriculture, Forestry, Conservation and Community Development**, Romana Vysatova and Laurie Greenberg, revised by Valerie Berton and Jennifer Butler, 2001, United States Department of Agriculture, 152 pages.

This guide provides a listing of federal programs and agencies that provide various means of assistance for agricultural and forestry related ventures. Specifically, the guide addresses program resources in value-added and diversified agriculture and forestry, sustainable land management, and community development. The guide is intended for farmers, entrepreneurs, community developers, conservationists, and many other individuals. It gives good overview and contact information for over 75 different federal agencies and programs. It also contains some general information sources. Available from ATTRA • P.O. Box 3657

- Fayetteville, AR 72702 • phone: (800) 356-9140
- website: [www.attra.org](http://www.attra.org)

or from Michael Fields Agricultural Institute

- W2493 County Road ES • East Troy, WI 53120
- phone: (262) 642-3303 • fax: (262) 642-4028
- website: [michaelfieldsagainst.org](http://michaelfieldsagainst.org)

or from the Sustainable Agriculture Research and Education (SARE) Program • 2121 Ag/Life Science Surge Building • University of Maryland • College Park, MD 20742

- phone: (301) 405-3186 • fax: (301) 314-7373
- website: [www.sare.org](http://www.sare.org)

or a PDF version is available on-line at: [attra.ncat.org/guide/index.htm](http://attra.ncat.org/guide/index.htm)

**Farm Leases**, Phillip L. Kunkel and Scott T. Larison, 1998, University of Minnesota Extension Service, publication no. FS-02593-GO.

This publication describes the types and classifications of farm leases and explains some of the legal aspects of the landlord/tenant relationship. Available from University of Minnesota Extension Service Distribution Center • 405 Coffey Hall • 1420 Eckles Ave.

- St. Paul, MN 55108-6069 • phone: (612) 624-4900 or (800) 876-8636 • fax: (612) 625-6281
- e-mail: [order@extension.umn.edu](mailto:order@extension.umn.edu)
- or view the full text on-line: [www.extension.umn.edu/distribution/businessmanagement/DF2593.html](http://www.extension.umn.edu/distribution/businessmanagement/DF2593.html)

**Farm Transfers in Wisconsin: A Guide for Farmers**, 1998, Wisconsin Department of Agriculture, Trade and Consumer Protection, 96 pages.

This comprehensive guide provides a good overview of the farm transfer process. The information is intended to give retiring or exiting farmers and beginning farmers an overview of the obstacles, options, and opportunities available to both parties. The publication highlights Wisconsin farmers, but most of the information is applicable to any beginning and retiring farmer. The guide concludes with a glossary of terms related to farm transfer. Available from the Wisconsin Department of Agriculture, Trade and Consumer Protection, Farmers Assistance Program • P.O. Box 8911 • Madison, WI 53708

- phone: (608) 224-5051 or (800) 942-2474
- website: [www.datcp.state.wi.us/mktg/agriculture/farm-center/transfers/transfer\\_guide.html](http://www.datcp.state.wi.us/mktg/agriculture/farm-center/transfers/transfer_guide.html)

**Farmers' Guide to Minnesota Lending Law**, FLAG Staff, First Edition, March 1996, Farmers' Legal Action Group Inc., 217 pages.

This guide includes information on mortgages, contracts for deed, operating and equipment loans, secured creditors, unsecured credit, lease agreements, income tax considerations, and other legal matters. Available from Farmers' Legal Action Group Inc. • 1301 Minnesota Building • 46 East 4th Street • St. Paul, MN 55101 • phone: (651) 223-5400 • fax: (651) 223-5335 • e-mail: [lawyers@flaginc.org](mailto:lawyers@flaginc.org) • website: [www.flaginc.org](http://www.flaginc.org)

**Farming Together**, Erlin J. Weness, 1994, Transferring the Farm Series #11, University of Minnesota Extension Service, publication no. FS-06312-GO, fact sheet.

Transferring the farm from one generation is usually done over a long period of time. In most cases, the two parties farm together for a number of years while the transition is being made. This fact sheet provides some considerations to keep in mind during this process.

Available from University of Minnesota Extension Service Distribution Center • 405 Coffey Hall • 1420 Eckles Ave. • St. Paul, MN 55108-6069 • phone: (612) 624-4900 or (800) 876-8636 • fax: (612) 625-6281  
 • e-mail: [order@extension.umn.edu](mailto:order@extension.umn.edu)  
 • or view the full text on-line:  
[www.extension.umn.edu/distribution/businessmanagement/DF6312.html](http://www.extension.umn.edu/distribution/businessmanagement/DF6312.html)

**2001-2003 Financial Assistance Directory**, 2001, Minnesota Department of Natural Resources.

This publication provides summary-level information on all of the Department of Natural Resources' many financial assistance programs. They include grants, financial incentives, tax exemptions, and other programs for practices related to fish and wildlife, forestry, land protection, recreation, and water.

Available from the Minnesota Department of Natural Resources, Office of Management and Budget Services • 500 Lafayette Road • St. Paul, MN 55155-4040 • phone: (651) 296-6157 or (888) MINN-DNR, TDD (651) 296-5484 or (800) 657-3929 • or view the full text on-line:  
[www.dnr.state.mn.us/fad/index.html](http://www.dnr.state.mn.us/fad/index.html)

**Financial Help for Beginning Minnesota Farmers**, Erlin J. Weness, 1994, University of Minnesota Extension Service, publication no. FS-6314-GO.

This publication discusses financial help options available for beginning Minnesota farmers, including parental financing, bank or FmHA financing, and state government financing. This publication is no. 13 in the Transferring the Farm Series. Available from University of Minnesota Extension Service Distribution Center • 405 Coffey Hall • 1420 Eckles Ave. • St. Paul, MN 55108-6069 • phone: (612) 624-4900 or (800) 876-8636 • fax: (612) 625-6281 • e-mail: [order@extension.umn.edu](mailto:order@extension.umn.edu) • or on the Web at [www.extension.umn.edu/distribution/businessmanagement/DF6314.html](http://www.extension.umn.edu/distribution/businessmanagement/DF6314.html)



**Financing the Farm Operation**, Phillip Kunkel, Scott Larison, Hall & Byers, 1998, University of Minnesota Extension Service, Publication no. PC-02589, 4 pages.

This publication presents several fundamental models that should be considered when assessing financing options for any farming operation. It provides good general information and descriptions of the available options for beginning farmers. It is part of a 15-part series entitled "Farm Legal Service." The individual article and the entire series is available from the University of Minnesota Extension Service Distribution Center • 405 Coffey Hall • 1420 Eckles Ave. • St. Paul, MN 55108-6069 • phone: (612) 624-4900 or (800) 876-8636 • fax: (612) 625-6281  
 • e-mail: [order@extension.umn.edu](mailto:order@extension.umn.edu)  
 • or view the full text on-line:  
[www.extension.umn.edu/distribution/businessmanagement/DF2589.html](http://www.extension.umn.edu/distribution/businessmanagement/DF2589.html)

**Mortgages and Contracts for Deed**, Phillip L. Kunkel and Scott T. Larison, 1998, University of Minnesota Extension Service, publication no. FO-7293-GO.

This publication explores the legal differences between the mortgage and contract for deed in Minnesota. Available from University of Minnesota Extension Service Distribution Center • 405 Coffey Hall • 1420 Eckles Ave. • St. Paul, MN 55108-6069 • phone: (612) 624-4900 or (800) 876-8636 • fax: (612) 625-6281  
 • e-mail: [order@extension.umn.edu](mailto:order@extension.umn.edu) • or view the full text on-line: [www.extension.umn.edu/distribution/businessmanagement/DF7293.html](http://www.extension.umn.edu/distribution/businessmanagement/DF7293.html)

**Selecting a Lease Type**, Debra Elias, 1996, Energy and Sustainable Agriculture Program (ESAP), Minnesota Department of Agriculture, 4 pages.

This publication identifies six common lease types and questions to consider when selecting a lease. It provides good general information for beginning farmers who are seeking

land. Available from The Minnesota Department of Agriculture (ESAP) • 90 West Plato Boulevard • St. Paul, MN 55107  
 • phone: (651) 296-7673 • fax: (651) 297-7678  
 • e-mail: [alison.fish@state.mn.us](mailto:alison.fish@state.mn.us)  
 • website: [www.mda.state.mn.us/crp/LEASTYPE.htm](http://www.mda.state.mn.us/crp/LEASTYPE.htm)

## Programs

### Financial Assistance

**Agriculture Best Management Practices Loan Program (AgBMP), Minnesota Department of Agriculture.**

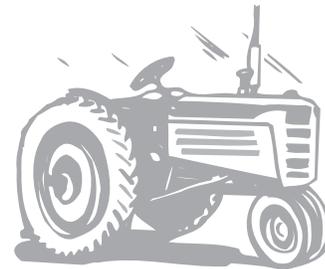
This program provides low interest financing to farmers, rural landowners, and agriculture supply businesses to encourage agricultural best management practices that reduce water pollution. Funds are available for most counties and can be used with state and federal cost share or other funding sources. Potential borrowers should contact their local Soil and Water Conservation District, county environmental office, or local water planning officials for more information about loan availability in their county. For general information about the program, contact Dwight Wilcox • AgBMP  
 • Minnesota Department of Agriculture  
 • 90 West Plato Boulevard • St. Paul, MN 55107  
 • phone: (651) 215-1018 • e-mail: [dwight.wilcox@state.mn.us](mailto:dwight.wilcox@state.mn.us) • website: [www.mda.state.mn.us/agbmp/moreinfo.html](http://www.mda.state.mn.us/agbmp/moreinfo.html)

**Initial Project Assessment and Market Assessment Programs, Agricultural Utilization Research Institute (AURI).**

Financial assistance may be available through matching grants to explore the technical feasibility and market potential for new or value-added products. There are five regional offices, located in Crookston (also the AURI State Headquarters), Morris, Marshall, St. Paul, and Waseca. For more information, contact AURI  
 • PO Box 599 • Crookston, MN 56716  
 • phone: (800) 279-5010 • fax: (218) 281-3759  
 • website: [www.auri.org](http://www.auri.org)

**Certified Development Company (504) Loan Program**

The 504 Certified Development Company (CDC) Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as purchasing land, buildings and machinery, or modernizing, renovating, or converting existing facilities. A CDC is a non-profit corporation set up to contribute to the economic development of its community or region. CDCs work with the Small Business Association (SBA) and private sector lenders to provide financing to small businesses. There are about 290 CDCs nationwide. Contact your local Chamber of Commerce or economic development authority in your city, county, or state government to identify local CDCs. You may also call any SBA district office for assistance in locating a CDC. Check the telephone book white pages under "U.S. Government" for the nearest SBA office or call (800) 827-5722. Information about the 504 Program (including a list of all CDCs in the U.S.) is on-line at: [www.sba.gov/financing/frcdc504.html](http://www.sba.gov/financing/frcdc504.html)



**Environmental Quality Incentives Program (EQIP), Natural Resources Conservation Service (NRCS), United States Department of Agriculture.**

The Environmental Quality Incentives Program provides technical, educational, and financial assistance to eligible farmers and ranchers to address soil, water, and related natural resource concerns on their lands in an environmentally beneficial and cost-effective manner. The purposes of the program are achieved through the implementation of a conservation plan that includes structural, vegetative, and land management practices on eligible land. Five- to ten-year contracts are made with eligible producers. Cost share payments may be made to implement one or more eligible structural or vegetative practices, such as animal waste management facilities, terraces, filter strips, tree planting, and permanent wildlife habitat. Incentive payments can be made to implement one or more land management practices, such as nutrient management, pest management, and grazing land management. For more information about EQIP, contact your local NRCS, FSA, Cooperative Extension Service, or conservation district office. Other NRCS conservation programs may also be available to you, such as the Conservation Reserve Program (CRP), Wetland Reserve Program (WRP) or the Wildlife Habitat Incentive Program (WHIP). Local USDA Service Centers are located in the "U.S. Government" section of the white pages under U.S. Department of Agriculture. Nationally, contact: Anthony Esser, Program Manager or Edward Brzostek, Environmental Quality Incentives Program • P.O. Box 2890 • Washington, DC 20013 • phone: (202) 720-1834 or (202) 720-1840 • e-mail: anthony.esser@usda.gov, or webmaster@ftw.nrcs.usda.gov

- website: [www.nrcs.usda.gov/programs](http://www.nrcs.usda.gov/programs)

In Minnesota, you can contact NRCS

- 375 Jackson Street, Suite 600 • St. Paul, Minnesota 55101 • phone: (651) 602-7900
- fax: (651) 602-7914 • website: [www.mn.nrcs.usda.gov](http://www.mn.nrcs.usda.gov)

**Farm Credit Services (FCS)**

The Farm Credit System is a nationwide system of financial cooperatives that lend to agriculture and rural America. FCS provides long-term mortgage loans (for land and other purchases) and short- and intermediate-term operating loans. Farm Credit institutions are organized as cooperative businesses, each owned by its

member-borrower stockholders who purchase voting stock. For more information, or to find the FCS branch office nearest you, contact Farm Credit Services • phone: (800) 444-FARM • website: [www.farmcredit.co](http://www.farmcredit.co)

**Farm Loan Program, Farm Service Agency (FSA), United States Department of Agriculture.**

The Farm Service Agency (FSA) provides loan assistance to beginning farmers and ranchers who are unable to obtain financing from commercial credit sources. This assistance includes direct and guaranteed farm ownership loans and operating loans, a special down payment farm ownership loan program to assist beginning farmers and ranchers to purchase a farm or ranch, and a joint financing plan where FSA lends up to 50 percent of the amount financed. FSA also sells inventory farmland to beginning farmers. FSA offices are located throughout the state in USDA service centers. To locate the office nearest you, check in the telephone white pages under U.S. Government, Department of Agriculture, Farm Service Agency, or see the website: [www.fsa.usda.gov](http://www.fsa.usda.gov)

**Organic Certification Cost Share Program, Sustainable Agriculture Program, Minnesota Department of Agriculture.**

Provides payments of 75 percent (up to a maximum of \$500) for Minnesota organic growers and handler/processors certified by a National Organic program-accredited certifier. Contact Meg Moynihan • 90 West Plato Boulevard • St. Paul, MN 55107 • phone: (651) 297-8916 • e-mail: [meg.moynihan@state.mn.us](mailto:meg.moynihan@state.mn.us) • website: [www.mda.state.mn.us/esap/organic](http://www.mda.state.mn.us/esap/organic)

**Rural Business-Cooperative Service (RBS), Rural Development, United States Department of Agriculture.**

The mission of the Rural Business-Cooperative Service (RBS) is to enhance the quality of life for rural Americans by providing leadership in building competitive businesses, including sustainable cooperatives, that can prosper in the global market place. RBS offers Business & Industry Guaranteed and Direct (B&I and Direct B&I, respectively) loans. These loans may not be used for agriculture production; however, eligible purposes of the B&I loan include: construction, conversion, expansion,

repair, modernization, or development costs; purchase of machinery, equipment, or supplies; start-up costs and working capital; processing and marketing. For more information, contact your state USDA Rural Development Office. In Minnesota, contact USDA Rural Development State Office

- 410 Farm Credit Service Building
- 375 Jackson Street • St. Paul, MN 55101
- phone: (651) 602-7800 • fax: (651) 290-3085
- website: [www.rurdev.usda.gov/mn](http://www.rurdev.usda.gov/mn)

Nationally, contact Dwight Carmon, Division Director, Processing division, USDA, Rural Business-Cooperative Service • 1400 Independence Ave • SW, Washington D.C. 20250

- phone: (202) 690-4100 • website: [www.rurdev.usda.gov/rbs/index.html](http://www.rurdev.usda.gov/rbs/index.html)

### **Rural Finance Authority (RFA)**

The Rural Finance Authority (RFA) is part of the Agricultural Finance Division of the Minnesota Department of Agriculture. This division makes loans available to help Minnesota farmers and agribusiness. The RFA offers a variety of loan programs including: Beginning Farmer and Seller Assisted to help new farmers purchase agricultural land; Aggie Bond for agricultural land, agricultural improvements, breeding livestock, and machinery; Livestock Expansion for state-of-the-art improvements in livestock production; Agricultural Improvement for any farm related purpose; Restructured Loans to help farmers reorganize their debt; and Value-Added Stock Loans for those who want to buy stock in an agricultural processing facility. For more information contact the Rural Finance Authority, Minnesota Department of Agriculture, Agricultural Finance Division • 90 West Plato Boulevard • St. Paul, MN 55107 • phone: (651) 297-3557 • fax: (651) 296-9388 • website: [www.mda.state.mn.us/AgFinance/default.htm](http://www.mda.state.mn.us/AgFinance/default.htm)

### **Shared Savings Loan Program, Energy and Sustainable Agriculture Program (ESAP), Minnesota Department of Agriculture.**

A \$1 million revolving fund provides loans to farmers to support the transition to sustainable practices. Loans of up to \$25,000 per farmer at a 6% interest rate enable farmers to purchase equipment, breeding livestock, or make other improvements to enhance profitability and the environment. Applications are accepted year-round and are reviewed by a loan review panel on a continuous basis. For more information, contact the Energy and Sustainable Agriculture Program (ESAP)

- 90 West Plato Boulevard • St. Paul, MN 55107
- phone: (651) 296-7673 • fax: (651) 297-7678
- e-mail: [Alison.Fish@state.mn.us](mailto:Alison.Fish@state.mn.us) • website: [www.mda.state.mn.us/esap](http://www.mda.state.mn.us/esap)

### **Small Business Administration (SBA)**

The U.S. Small Business Administration (SBA) was created in 1953 as an agency of the federal government to aid, counsel, assist, and protect the interests of small businesses, to preserve free competitive enterprise, and to maintain and strengthen the overall economy of the United States. SBA works with banks, intermediaries, and other lending institutions to provide loans and venture capital financing to small businesses unable to secure financing through normal lending channels. The majority of SBA's financial assistance is in the form of loan guarantees. To locate your local SBA office, look under "U.S. Government" in the white pages of the telephone book or call the SBA Answer Desk at: (800) 827-5722. The national SBA office is located at: U.S. Small Business Administration, Office of Marketing & Customer Service • 409 Third Street, SW

- Suite 7600 • Washington DC 20416
- phone: (202) 205-6744 • fax: (202) 205-6913
- website: [www.sba.gov](http://www.sba.gov)

### **State Cost-Share Program, Soil and Water Conservation District (SWCD).**

Funds are available to install soil and water conservation projects that control nutrient runoff, reduce soil erosion, and protect surface water and groundwater quality. Examples of eligible projects may be terraces, grassed waterways, sediment basins, and diversions. Up to 75 percent of the cost of the project may be covered. Funds are distributed by your county SWCD. Your SWCD can also provide you with technical assistance. They work one-on-one with private landowners, conducting on-site investigations, and helping landowners determine the best practice for that situation. They are knowledgeable about other conservation programs for which you might be eligible. To get contact information for the SWCD in your county, check in the telephone white pages under U.S. Government, Department of Agriculture, USDA Service centers, or contact the Minnesota Association of Soil and Water Conservation Districts • 790 Cleveland Avenue South, Suite 216 • phone: (651) 690-9028 • fax: (651) 690-9065 • website: [www.maswcd.org/](http://www.maswcd.org/)

## Farmland Linking

### Minnesota Land Trust (MLT)

The Minnesota Land Trust (MLT) is a private, nonprofit organization that promotes the protection and enhancement of open spaces, including farmland, wetlands, woodlands, bluff lands, wildlife habitat, and scenic areas in Minnesota. MLT has recently begun a program to match sellers and buyers who share a concern for preserving the natural, rural, or open space qualities of property. The Conservation Buyer/Seller Program lists properties for sale by owners who want to ensure that the purchaser maintains the natural qualities of the property. This program is in its early stages; however, there is potential for matches between sellers and sustainable farmers. For more information contact Minnesota Land Trust • 2356 University Avenue West

- Suite 400 • St. Paul, MN 55114
- phone: (651) 647-9590 • fax: (651) 647-9769
- e-mail: [mnland@mnland.org](mailto:mnland@mnland.org)
- website: [www.mnland.org](http://www.mnland.org)

### Farm Service Agency Farmland Inventory, United States Department of Agriculture.

The Farm Service Agency keeps an inventory of and advertises acquired farmland available for sale. Eligible beginning farmers and ranchers are given first priority to purchase these properties at the appraised market value for the first 75 days after acquisition. If more than one beginning farmer or rancher offers to purchase the property, the buyer is chosen randomly. For more information, contact your state FSA office. In Minnesota, contact FSA

- 400 Farm Credit Services Building
- 375 Jackson Street, Suite 400 • St. Paul, MN 55101-1852 • phone: (651) 602-7719
- fax: (651) 6027743 • or see the most current listing on-line: [www.fsa.usda.gov/mn/Inventory%20Farms.htm](http://www.fsa.usda.gov/mn/Inventory%20Farms.htm)

### National Farm Transition Network

The goal of the National Farm Transition Network is to support programs that foster the next generation of farmers and ranchers. The network believes that programs that help create the opportunity for young people to begin a career in agriculture, particularly by addressing farm access, must be a part of the government's rural development effort. The network provides a listing of linking programs across the county that help to unite beginning and retiring farmers. For a listing of linking programs or more information about the network, contact the network coordinator, John Baker, Beginning Farm Center Administrator • 10861 Douglas Ave. Suite B • Urbandale, IA, 50322

- phone: (515) 331-8900
- e-mail: [jrbaker@iastate.edu](mailto:jrbaker@iastate.edu)
- website: [www.exnet.iastate.edu/Pages/bfc/national/homepage.html](http://www.exnet.iastate.edu/Pages/bfc/national/homepage.html)

