



Getting Started in Ag: Funding and Financing Sources

Farmers or ranchers just starting out in agriculture face many barriers to entry in the business. Land prices continue a decades-long upward trend. Prices for livestock are increasing, making breeding livestock expensive to purchase. Equipment and machinery prices, both new and used, are at record highs. Inflation and supply chain challenges continue to drive the cost of production to exceptional levels for most sectors.

If you are new to the business, you will likely need financing for land, equipment, livestock and possibly day-to-day operations. While your chances for business success increase if you can limit the amount of debt incurred, some level of financing is almost always necessary in agriculture.

Credit can be hard to obtain with limited experience or few collateral resources, but multiple options are available. Financing through USDA programs tends to fall into one of two categories: guarantee or direct. Guarantee financing is provided by Farm

Service Agency (FSA) guarantees on a portion of a loan through a commercial lender. This can help secure financing for both operating expenses and land when an applicant lacks collateral or adequate capital to back the loan.

FARM OWNERSHIP AND OPERATING LOAN OPTIONS

FSA Direct Farm Ownership loans are available to beginning producers for up to \$600,000. Producers seeking commercial financing under Guaranteed Farm Ownership loans can apply for financing up to \$1,776,000. Loans can be guaranteed for up to 95 percent of the loan amount with participating lenders and the total does not exceed the allowed maximum.

Direct Operating Loans can be obtained for up to \$400,000, or producers can seek Guaranteed Operating Loans for up to 95 percent of a total, not exceeding \$1,776,000.

Beginning producers also have access to a Down Payment Assistance program. Applicants must provide at least 5 percent of

the purchase as a down payment, then FSA provides down payment financing assistance up to 45 percent of 1) the purchase price of the farm; 2) the appraised value of the farm; or 3) \$667,000 in total (\$300,150 maximum assistance). The remaining balance of the financing, up to 95 percent, may be covered by a loan from a commercial lender or private party. Down Payment Assistance loans are offered for a 20-year term at 4 percent below the direct farm ownership rate, but not lower than 1.5 percent.

The Joint Financing Option on Direct Farm Ownership loans is another alternative for new and beginning producers. FSA financing can provide up to 50 percent of the total and is combined with a commercial loan or other sources to provide the remaining 50 percent, subject to a maximum of \$600,000 and a 40-year term. The interest rate on these loans is 2 percent less than the Direct Farm Ownership rate, but not less than 2.5 percent.

FSA also offers a Land Contract Guarantee Program for farm owners selling to a

USDA BEGINNING FARMER DEFINITION

A beginning farmer is defined as one who:

- Has not operated a farm or ranch for more than 10 years;
- Does not own a farm or ranch greater than 30 percent of the average size farm in the county as determined by the most current Census for Agriculture at the time the loan application is submitted;
- Meets the loan eligibility requirements of the program to which he/she is applying (Farm Operating Loan, Farm Ownership Loan, or Microloan);
- Substantially participates in the operation.



Alfalfa hay ready for baling.

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Extension



Gathering cows and calves.

beginning producer. This includes a guarantee of up to three annual payments, plus real estate taxes and insurance, or 90 percent of the outstanding principal balance of the land contract. The purchase price cannot exceed \$500,000 and a minimum 5 percent down payment is required.

MICROLOANS FOR FARM OWNERSHIP AND OPERATING EXPENSES

Microloans are available to help beginning producers with small to mid-sized operations, such as niche and other non-traditional enterprises selling through community-supported agriculture (CSA) or farmers markets. Applicants must have three years of farming experience over the last ten to qualify via education, management experience or military leadership, or have repaid an FSA youth loan. Maximum microloan amounts are set at \$50,000 for either ownership or operating loans at the regular FSA farm ownership interest rate.

The EZ Guarantee Loan program offers up to \$100,000 from traditional lenders or \$50,000 from micro lenders for farm operating or ownership purposes. Repayment can be up to 7 years for operating or 40 years for ownership loans.

OTHER FINANCING OPTIONS FOR BEGINNING PRODUCERS

Farm Credit Services of America (FCS) offers programs to assist new and beginning producers with land, equipment and operating expense financing. FCS states that over 70 percent of their loans are made for under \$250,000 serving new and beginning producers, defined as those less than 36 years of age with less than 10 years' experience farming.

Beginning producers residing in Wyoming can also access direct land financing from the Office of State Lands and Investments. Applicants must not have owned and/or operated more than 320 acres of cultivated irrigated land, 640 acres of cultivated dry cropland or 1,280 acres of grazing land to qualify for the program. Applicants must provide adequate working capital. Loans cannot exceed \$1 million and must not be for more than 70 percent of the appraised value of the land. Interest rates are the lower of 8 percent or the average yield on a 10-year U.S. treasury bond for the first 10 years of the loan term; afterward the loan rate is 8 percent for the remaining 20 years. Other uses for State Lands financing include purchasing equipment designated to maintain or increase the earning capacity of the operation; purchasing,

constructing or installing improvements necessary to maintain or improve the earning capacity of the operation; and refinancing agricultural debt incurred by the operation.

YOUNG, BEGINNING & SMALL PRODUCER FINANCING OPTIONS

Farm Service Agency

<https://www.fsa.usda.gov/programs-and-services/farm-loan-programs/beginning-farmers-and-ranchers-loans/index>

Farm Credit Services of America

<https://www.fcsamerica.com/about/young-beginning-small-producers>

Wyoming Office of State Lands and Investments

<https://lands.wyo.gov/grants-loans/loans/farm-loans>

FOR MORE INFORMATION

Funding is available to new and beginning producers through United States Department of Agriculture (USDA) programs. To learn more, visit the Farm Service Agency (FSA) website at www.fsa.usda.gov or contact your local USDA Service Center. Check farmanswers.org for more information on potential financing for your new business.