

Funding Your Farm: Financing, Grants & More

Authors & Institutions:

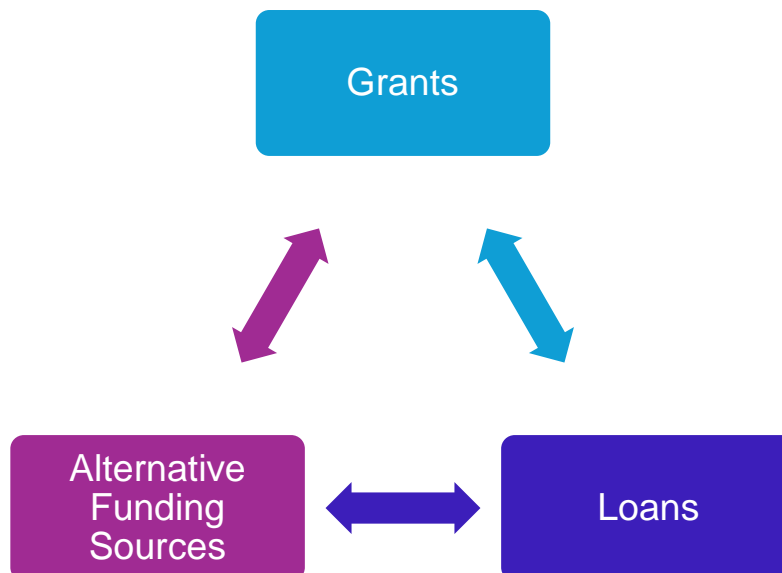
Samantha Stokes and Jamie Rahrig, Michigan State University Center for Regional Food Systems, Katje Armentrout, Michigan State University Extension

Before you even think about searching for funding, you need to be able to clearly communicate how you will grow and sustain a successful business into the future through the creation of a business plan. A good business plan describes where, when and how a business will grow by providing a market analysis, outlining that business's current state, detailing how the owner's experience will support success, and projecting the business' plan for sustainability. This document guides the business by unifying owners, employees, stakeholders and investors around shared goals, outlines a trajectory for achievement and provides a framework for the (re)assessment of progress along the way. (Rahrig, Bolan-Williamson, Stokes & Lower 2023).

A comprehensive business plan is vital for farmer's seeking financing, as it demonstrates the owner's plan for how to maintain the farmer's long-term profitability and ability to meet debt obligations. A detailed business plan not only shows lenders that you have planned for a financially stable future, but also helps them assess the type and amount of necessary funding (Rahrig, Bolan-Williamson, Stokes & Lower 2023).

How To Get Started

At some point during the life of a business it will require outside funding to support startup, operations, expansion, process optimization, etc.; farms are no different. This section of the Beginning Farmer Decision Tree was created to help new farmers understand what funding types exist, and the key considerations that will help them decide on a funding path is right for their farm based on a variety of key factors. For each type of funding: grants, debt financing and crowdfunding, we have included a variety of resources (end of section) to help you find an individual funder that is right for you and make sure that you have the documentation necessary to approach them with a funding request.





Primary considerations

There are several factors that will help you determine what type of funding is the best fit for your farm's current phase. Once you have made that decision, the same considerations can help you find a specific lender/grant/campaign that is the best fit.

- Financing Amount
 - Stage of Business
 - Concept
 - Startup
 - Early Growth
 - Scaling/Expansion
 - Mature
 - Business Identity
 - Type: Farm/Producer, Aggregator, Distributor, Co-op, etc.
 - Business Demographics/Owner Identity
 - Business Geographic Location/Service Area
 - Mission Alignment
 - Location
 - Rural or Urban
 - Use of Funds
 - Land/Infrastructure purchase
 - Equipment
 - Inventory/Labor/Operating Funds
 - Debt Consolidation/Refinance
 - Growing methods
 - Traditional
 - Organic
 - MAEAP
 - Conservation Programs
 - Ownership
 - Woman-owned
 - Minority-owned
 - Timeline
-

Common Questions for Funding Your Farm

1. *Is there a grant that can fund this?*

Probably! Grants are competitive pools of money that funders/donors of all scales and varieties award to individuals/businesses as a mechanism to further funder goals/mission. You can get grants from state and federal governments, private foundations, non-profits, local development agencies - the opportunities are endless, and the limiting factor is generally 1) finding the grants; 2) ensuring your farm meets the grant's eligibility requirements; 3) having the capacity and knowledge to apply for them and 4) successfully achieving AND REPORTING ON the stated outcomes. See the "grant" section below for information on when a grant might be the right funding choice for your business, how to stay informed on what grants exist and what resources can help you learn how to write grants that get funded.

2. *Can I get a grant from the Michigan Good Food Fund?*

No, the Michigan Good Food Fund (MGFF) is a lending network, not a grant program. The [mission driven lenders](https://migooodfoodfund.org/lending-support-network/) (https://migooodfoodfund.org/lending-support-network/) in the MGFF network provide [flexible financing](https://migooodfoodfund.org/support-for-entrepreneurs/get-funded/#loans) (https://migooodfoodfund.org/support-for-entrepreneurs/get-funded/#loans) and tailored business assistance to support the success of food and farm entrepreneurs and to grow a more resilient, inclusive local food system. To learn more about the Michigan Good Food Fund, visit: <https://migooodfoodfund.org/>.

3. *Where is the best place to get a loan?*

It completely depends! You can use this section to help determine what characteristics of your business and financing needs might make one type of loan or loan servicer a better fit than others. However, as a general rule it's best to pursue loans which will offer you the lowest interest rates and tie up the smallest amount of collateral. So, our team generally recommends pursuing "traditional" financing from local banks/credit unions first (prioritize institutions that you already have a relationship with), then looking into loans from the United States Department of Agriculture including Farm Service Agency (FSA), Farm Credit Services and then loans from Community Development Financial Institutions (CDFIs) or other mission-driven lenders such as those in the Michigan Good Food Fund. For more information on CDFIs, visit: <https://www.fdic.gov/resources/bankers/affordable-mortgage-lending-center/guide/part-1-docs/cdfi-overview.pdf>

Section 1: Grants

A grant is a way a funder supplies money to an individual/organization/business to fund their ideas, work, projects, etc. without the expectation of repayment (unlike a loan where repayment is expected). These funders may be governments, private foundations or nonprofits, and each has their own reasons for grant making. Funders work to achieve these goals by providing grant funding on "priority topics" or "impact areas" that meet organizational priorities, donor requirements, endowment stipulations and IRS regulations (Armentrout 2024). The most successful grant writers are those who seek out grants and develop proposals by demonstrating their ability to help the funder meet their program goals/priorities. This starts with developing a prospect list of funders and/or individual grants (many of which request proposals annually) based on the "primary considerations" listed at the beginning of this section (Armentrout 2024). A good prospect list includes:

- Funders who fund farm businesses in your geographical region.
- Funders whose priority topics/impact areas match your farm's needs AND/OR
- Funders that have demonstrated consistent giving in your area of interest

Section 2: Loans

A loan is a sum of money that is borrowed and has the expectation of repayment. Different types of loans will come with different terms and conditions. Terms and conditions refer to how long a business will have to pay off the debt, the amount paid each month, or interest rate that will be paid. The terms on debt financing like a loan will vary based on a person's credit, business history, available collateral, etc. The variability of repayment terms, conditions, and interest rates is captured in [this table from the Michigan Good Food Fund](https://miguoodfoodfund.org/support-for-entrepreneurs/get-funded/#loans) (<https://miguoodfoodfund.org/support-for-entrepreneurs/get-funded/#loans>).

Below is a brief overview of the terminology used to the types of loans you may encounter while searching for financing. Remember that there is a lot of overlap in terminology, meaning that the types of loans described below are not mutually exclusive. For example, a microloan can be used for operating expenses or equipment purchase depending on the requirements of the lender. The definitions and resources at the end of this section are offered to help you gain a deeper understanding of this broad topic. However, as a general rule, you will always get the best information on any type of loan from the loan provider/servicer. For more general information on loans, also visit: [An Introduction to Farm Loans: What You Need to Know about Farm Loans](https://www.capitalfarmcredit.com/blog-detail/blog/2024/02/05/an-introduction-to-farm-loans-what-you-need-to-know-about-farm-loans) (<https://www.capitalfarmcredit.com/blog-detail/blog/2024/02/05/an-introduction-to-farm-loans-what-you-need-to-know-about-farm-loans>)

- **Capital/Term Loans:** loans provided to purchase capital assets used for the farm such as breeding livestock, equipment, facilities or real estate. These loans are paid back over a longer period of time, usually 5 - 10 years.
- **Farm Ownership Loans:** Also known as a real estate or land loan, this type of loan is used to purchase and/or build land or infrastructure.
- **Equipment loans:** a type of capital loan that specifically provides for the purchase of farm equipment.
- **Farm Operating Loans:** loans used to cover the daily operating expenses of running a farm such as production supplies, equipment, livestock, etc.
- **Farm Production Loan:** An annual type of operating loan used to purchase annual inputs such as livestock for resale, seed, fertilizer, chemicals and other supplies. This type of debt is taken on with the understanding that it will be repaid after one production cycle, typically within 12 - 18 months depending on when farm products are sold. The primary sources of collateral for these loans are farm production or normal income security.
- **Microloans:** A more flexible, non-traditional form of small loan (usually no more than \$50,000) that consistently requires less documentation around length of operation, business credit, production yield history, and more.
- **Guarantees Loans:** These loans are available to farmers who may not otherwise qualify for a loan from a commercial lender (bank, credit union, etc.). To increase access to capital for these types of loan applicants, a mission-driven organization such as the USDA FSA or [Fair Food Network](https://fairfoodnetwork.org/) (FFN) guarantees the majority of the loan's loss and provides oversight of participating commercial lenders. To learn more about the Fair Food Network, visit: <https://fairfoodnetwork.org/>.
- **Line of Credit:** a more flexible type of loan that functions similarly to a credit card, offering limited amounts of funds that can be (re)assessed as needed and re-paid immediately or at set intervals. These funds are often revolving, meaning that once you pay back funds, they become available again and usually interest-only payments are due as a minimum. Lines of credit can be a good option for farms that need additional operating funds, but they might be smaller or less predictable than a traditional loan would require. To learn more about lines of credit, visit: <https://www.greenstonefcs.com/resources/open-fields-blog/2016/lines-of-credit-can-offer-cash-flow-flexibility>.

Section 3: Crowdfunding

Crowdfunding is the practice of raising money for a project or venture by gleaning many small donations from a large number of people who support your business's mission/goals/product. Often done online, this type of fundraising is easily accessible both to business owners and a wider array of investors with varying financial resources. This method also works simultaneously to build a customer base with a vested interest in your business (Rahrig, Bolan-Williamson, Stokes & Lower 2023).

Crowdfunding types include donation, debt, equity and reward-based. Donation-based models involve contributors investing based solely on support for the business/product, and do not offer them monetary gain, versus debt-based models which offer contributors a return on investment. Equity-based crowdfunding guarantees contributors receive a share of the business based on their investment and other crowdfunding campaigns may offer goods/services to those who contribute. These types of fundraising platforms are relatively new and change quickly so it is recommended that entrepreneurs interested in this type of funding do their own research and communicate with platforms directly to get the most accurate information. [The State of Michigan's Licensing and Regulatory Affairs](https://www.michigan.gov/lara/bureau-list/cscl/securities/archived/crowdfunding-things-to-keep-in-mind) (https://www.michigan.gov/lara/bureau-list/cscl/securities/archived/crowdfunding-things-to-keep-in-mind) offers suggestions on important factors to keep in mind such as terms of use, laws and regulations that affect how a business can expect to access capital via crowdfunding.

Royalties: An alternative form of investment in which an outside entity pays your business to use or obtain rights to intellectual property or real estate assets (Rahrig, Bolan-Williamson, Stokes & Lower 2023).

Equity: Owner/founders may sell a percentage of their business to an investor who then is entitled to that share of the business' future profit (Rahrig, Bolan-Williamson, Stokes & Lower 2023).

Financial Readiness Tools & Resources

- [MSUE Farm Business Loans Resources](https://www.canr.msu.edu/tag/farm-business-loans): Farm business loan information from MSU Extension (https://www.canr.msu.edu/tag/farm-business-loans).
- [E-3407: How to Motivate Your Lender to Say, "Yes"](https://www.canr.msu.edu/resources/bulletin-e-3407-how-to-motivate-your-lender-to-say-yes): An introductory bulletin for beginning farmers with suggestions to help understand the loan process for farm financing (https://www.canr.msu.edu/resources/bulletin-e-3407-how-to-motivate-your-lender-to-say-yes).
- [E-3423 Farm Management Experience Resource Guide](https://www.canr.msu.edu/resources/bulletin-e-3423-farm-management-experience-resource-guide): This publication is intended to assist beginning farmers in better understanding and demonstrating management experience (https://www.canr.msu.edu/resources/bulletin-e-3423-farm-management-experience-resource-guide).
- [E-3425 Loans & Security: An Introduction to Farm Collateral](https://www.canr.msu.edu/resources/bulletin-e-3425-loans-security-an-introduction-to-farm-collateral): A bulletin understanding collateral and loan security requirements for your farm (https://www.canr.msu.edu/resources/bulletin-e-3425-loans-security-an-introduction-to-farm-collateral)
- [E-3428 Farm Loans and Credit Underwriting: The Five C's of Credit](https://www.canr.msu.edu/resources/bulletin-e-3428-farm-loans-and-credit-underwriting): This publication reviews what a lender looks for in a loan application and how they look for assurances that approving a credit request is a good decision (https://www.canr.msu.edu/resources/bulletin-e-3428-farm-loans-and-credit-underwriting).
- [Balance Sheet Template](https://www.canr.msu.edu/resources/farm-balance-sheet-template): This document is an Excel based balance sheet for farm businesses (https://www.canr.msu.edu/resources/farm-balance-sheet-template).
- [Income Statement Template](https://www.canr.msu.edu/resources/msu-income-statement-template): This document assists farms in creating an income statement for their farm operation. An income statement measures farm profitability by summarizing revenue and expenses for an accounting or production period (https://www.canr.msu.edu/resources/msu-income-statement-template).

- [Statement of Cash Flows Template](https://www.canr.msu.edu/resources/statement-of-cash-flows-template): The statement of cash flows is a financial statement that summarizes the movement of cash coming in and going out of a farm business (https://www.canr.msu.edu/resources/statement-of-cash-flows-template).
- [Farm Finance Scorecard](https://www.canr.msu.edu/resources/farm-finance-scorecard-fillable-form): The Farm Finance Scorecard provides the definitions of financial ratios from the Farm Financial Standards Council as well as how to calculate each ratio (https://www.canr.msu.edu/resources/farm-finance-scorecard-fillable-form).
- [Loan Readiness Toolbox for Food and Farm Businesses](https://www.canr.msu.edu/resources/loan-readiness-toolbox-for-food-and-farm-businesses): This document is intended to guide entrepreneurs who are ready to start exploring financing options to help prepare them to move through the process smoothly and successfully (https://www.canr.msu.edu/resources/loan-readiness-toolbox-for-food-and-farm-businesses).
- [Time Management Workbook for Food and Farm Entrepreneurs](#): This document is designed specifically to make business planning achievable and approachable. This workbook includes a task prioritization roadmap and guide, task planners, and templated resources available in a shared Google Drive.
- [Grant Writing for Food Entrepreneurs D2L Course](#)

Resources for Finding Funds

- [Funding Sources for Food Related Businesses](https://www.canr.msu.edu/resources/food_business_funding_sources): This resource from MSU Center for Regional Food Systems identifies national and statewide opportunities for financial support for Michigan farmers, food producers, distributors, food hubs, other food-related businesses, and business assistance providers (https://www.canr.msu.edu/resources/food_business_funding_sources).

Financing

- [USDA FSA Farm Loans Overview](#): The U.S. Department of Agriculture's Farm Service Agency (FSA) offers direct and guaranteed loans to farmers and ranchers to promote, build, and sustain family farms for a thriving agricultural economy
- [Michigan Good Food Fund](https://migoodfoodfund.org/): A lending network for Michigan's food and farm entrepreneurs (https://migoodfoodfund.org/).
- [Greenstone Farm Credit Services](https://www.greenstonefcs.com/): GreenStone provides financial services to the agricultural industry - including short, intermediate and long-term loans, equipment and building leases, life insurance, crop insurance, accounting and tax services (https://www.greenstonefcs.com/).
- [Rabo Agrifinance](https://www.raboag.com/): Rabo Agrifinance offers a full range of flexible and innovative lending and insurance products for leading agricultural producers and agribusinesses (https://www.raboag.com/).

Grants

- [Grants.gov](https://grants.gov/): Designed to enable federal grant-making agencies to create funding opportunities and applicants to find and apply for these federal grants (https://grants.gov/).
- [Business Builder Awards](https://www.canr.msu.edu/GLM-RFBC/business-builder-awards): Business Builder grants are made available to meet emerging regional needs and support businesses working toward expansion and other investment (https://www.canr.msu.edu/GLM-RFBC/business-builder-awards).
- [Great Lakes-Midwest Regional Food Business Center](https://www.canr.msu.edu/GLM-RFBC/): The center farm and food businesses access new markets and navigate federal, state, and local resources (https://www.canr.msu.edu/GLM-RFBC/).
- [MI Department of Ag & Rural Development](https://www.michigan.gov/mdard/business-development/grantfund): Listing of grant and funding opportunities for farm and food businesses through Michigan (https://www.michigan.gov/mdard/business-development/grantfund).
- [United States Department of Agriculture](https://www.usda.gov/topics/farming/grants-and-loans): Listing of grant and funding opportunities for farms and food businesses through the Federal Government (https://www.usda.gov/topics/farming/grants-and-loans).
- [National Institute of Food & Agriculture \(NIFA\)](https://www.nifa.usda.gov/grants): NIFA awards research funding through a combination of competitive grants and funds allocated to states under statutory formulas (https://www.nifa.usda.gov/grants).

- [Local Ag Market Program \(LAMP\)](https://www.ams.usda.gov/services/grants/lamp): LAMP supports the development, coordination, and expansion of direct producer-to-consumer marketing; local and regional food markets and enterprises; and value-added agricultural products (<https://www.ams.usda.gov/services/grants/lamp>).
- [Sustainable Agriculture Research & Education \(SARE\)](https://www.sare.org/): SARE is a decentralized competitive grants and education program operating in every state and island protectorate. SARE is divided into four different regions that operate as separate entities and run grant programs for their states (<https://www.sare.org/>).
- [GrantStation](https://grantstation.com/): They offer nonprofit organizations, educational institutions, and government agencies the opportunity to identify potential funding sources for their programs or projects as well as resources to mentor these organizations through the grant seeking process (<https://grantstation.com/>).
- [GrantScape](https://www.thegrantscape.com/): Powered by Thompson Grants, this group provides access to a comprehensive listing of resources on grant opportunities (<https://www.thegrantscape.com/>).
- [GrantForward](https://www.grantforward.com/index): GrantForward incorporates a dynamic search engine with a personalized funding recommendation service to simplify the grant search process (<https://www.grantforward.com/index>).
- [GrantAdvisor](https://grantadvisor.org/): GrantAdvisor is a safe way to anonymously give and receive feedback on grantmaking (<https://grantadvisor.org/>).

Industry Partners & Organizations

- [MSU Center for Regional Food Systems](https://www.canr.msu.edu/foodsystems/): The Center for Regional Food System's mission is to engage the people of Michigan, the United States and the world in applied research, education and outreach to develop regionally integrated, sustainable food systems (<https://www.canr.msu.edu/foodsystems/>).
- [MSU Product Center](https://www.canr.msu.edu/productcenter/): The MSU Product Center supports innovation and growth for business, industry and entrepreneurs in food, agriculture and natural resource sectors. (<https://www.canr.msu.edu/productcenter/>).
- [MSUE Farm Management](https://www.canr.msu.edu/farm_management/): MSU Extension assists farmers, businesses, industries, families and individuals improve lives and achieve their goals through an educational process that applies management, production and economic knowledge to critical issues (https://www.canr.msu.edu/farm_management/).
- [MSUE DEMaND](https://www.canr.msu.edu/demand/): Helping the next generation of farm operators develop into managers and decision-makers on the farm by learning about financial and business management strategies (<https://www.canr.msu.edu/demand/>).