

General

Funding your Farm: Financing, Grants & More



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INTRODUCTION

*Note: If you are reading this section and do not have a business plan please visit the Business Planning section of this resource guide. Also check out the [**Loan Readiness Toolbox for Food and Farm Businesses**](#) for more information on business planning and funding needs.*

Before you even consider 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 the business's current state, detailing how the owner's experience will support success, and projecting the business' plan for sustainability. This business plan provides direction by identifying and unifying owners, employees, stakeholders and investors around shared goals, outlines a course 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 owners' plan for how to maintain long-term profitability and ability to meet debt obligations. A detailed business plan not only shows lenders 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

Some point during the life of any business, outside funding sources will be required to support startup, operations, expansion, process optimization, etc. Farms are no different. This section of the Beginning Farmer Decision Tree was created to help beginning farmers understand what funding types exist, and the key considerations to help decide on a funding path right for their operation, 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 lender right for you and provide the documentation necessary to approach them with a funding request.



Primary Considerations

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

- **Financing Amount**
- **Stage of Business**
 - Concept
 - Startup
 - Early Growth
 - Scaling/Expansion
 - Mature
 - Dissolution
- **Business Identity**
 - Type: Farm/Producer, Aggregator, Distributor, Co-op, etc.
 - Business Demographics/Owner Identity
 - Business Geographic Location/Service Area
 - Mission Alignment
- **Location**
 - Rural
 - 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**



SECTION 1

Grants

A grant 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” meeting organizational priorities, donor requirements, endowment stipulations and/or 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 (Armentrout 2024)





SECTION 2

Loans

A loan is a sum of money 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 charged.



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](#).

Below is a brief overview of the terminology used to the types of loans you may encounter while searching for financing.

Remember, overlap of terminology and, meaning 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 lender's requirements. The links within the text, as well as the resources at the end of this section will offer you a deeper understanding of this broad topic, but as a general rule you will always get the best information on any type of loan directly from the loan provider/servicer.

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 ([DEMaND Bulletin E-3425](#)).

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 ([DEMaND Bulletin E-3423](#); [USDA FSA, 2023](#); [Capital Farm Credit, 2024](#))

Equipment Loans

A type of capital loan specifically for the purchase of farm equipment ([Capital Farm Credit, 2024](#))

Farm Operating Loans

Loans used to cover the daily operating expenses of running a farm such as production supplies, equipment, livestock, etc ([DEMaND Bulletin E-3423](#); [USDA FSA, 2023](#); [Capital Farm Credit, 2024](#))

Farm Production Loans

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 repayment is due 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 ([DEMaND Bulletin E-3425](#)).

Microloans

A more flexible, non-traditional form of small loan (usually no more than \$50,000) requiring less documentation around length of operation, business credit, production yield history, etc. ([DEMaND Bulletin E-3423](#); [Michigan Good Food Fund](#); [USDA FSA, 2019](#))

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](#) (FFN) guarantees the majority of the loan's loss and provides oversight of participating commercial lenders ([USDA FSA, 2023](#))

Line of Credit

A more flexible type of loan, functioning similar to a credit card, offering limited amounts of funds and can be (re)assessed as needed and repaid immediately or at set intervals. These funds are often revolving, once you pay back funds, they may become available again and usually interest-only payments are due as a minimum. Lines of credit can be a good option for farms needing additional operating funds, but they might be smaller or less predictable than a traditional loan would require ([Fanslau, 2019](#)).



SECTION 3

Alternative Funding Sources

Crowdfunding

Crowdfunding is the practice of raising money for a project or venture by gleaming many small donations from a large number of people who support your business' 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](#) 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 (Rahrig, Bolan-Williamson, Stokes & Lower 2023).

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).



FUNDING YOUR FARM

COMMON QUESTIONS

01

Is there a grant to fund this?

Probably! Grants are competitive pools of money of funders/donors of all scales and varieties award to individuals/businesses as a mechanism to further funder goals/mission. You can submit and receive 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 to receive funding.

02

Can I request a grant from the Michigan Good Food Fund?

No, the MGFF is a lending network, not a grant program. The mission driven lenders in the MGFF network provide flexible financing and tailored business assistance to support the success of food and farm entrepreneurs and to grow a more resilient, inclusive local food system.

03

Who is the best lender to request a loan?

It depends! You can use this section to help determine which characteristics of your business may require financing needs. This may require different loan because a loan servicer may have a better fit compared to others. However, as a general rule it is best to pursue loans which will offer you the lowest interest rates and require the least amount of collateral. So, our team generally recommends pursuing “traditional” financing from local banks/credit unions first (prioritize institutions 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 MGFF.



RESOURCES & PARTNERS

Necessary Resources

Financing Readiness Tools

- [MSUE Farm Business Loans Resources](#)

Bulletins

- [E-3407: How to Motivate Your Lender to Say, "Yes"](#)
- [E-3423 Farm Management Experience Resource Guide](#)
- [E-3425 Loans & Security: An Introduction to Farm Collateral](#)
- [E-3428 Farm Loans and Credit Underwriting: The Five C's of Credit](#)

Templates

- [Balance sheet](#)
- [Income statement](#)
- [Cash Flow](#)
- [Farm Finance Scorecard](#)

- [Loan Readiness Toolbox for Food and Farm Businesses](#)
 - [Toolbox Google Drive Folder](#)
- [Loans & Security: An Introduction to Farm Collateral](#)
- [Time Management Workbook for Food and Farm Entrepreneurs](#)
- [Grant Writing for Food Entrepreneurs D2L Course](#)

Finding Funds

- **For an up-to-date Comprehensive List See:** [Funding Sources for Food Related Businesses](#)

See some of the most commonly used/key funding options below:

- **Financing**
 - [USDA FSA Farm Loans Overview](#)
 - [USDA Guide to FSA Farm Loans](#)
 - [USDA Farm Service Agency Loan Programs](#)
 - [Michigan Good Food Fund](#)
 - [Greenstone Farm Credit Services](#)

- **Grants**

- o Government

- [Grants.gov](#)
 - [Business Builder Awards, Great Lakes-Midwest Regional Food Business Center](#)
 - [MI Department of Ag & Rural Development](#)
 - [United States Department of Agriculture](#)
 - [Rural Development](#)
 - [National Institute of Food & Agriculture](#)
 - [Local Ag Market Program](#)
 - [Sustainable Agriculture Research & Education](#)
 - [GrantStation](#) & [GrantScape](#)

- o Foundations/Corporate Giving

- [Council of MI Foundations](#)
 - [Foundation Directory Online \(FDO\) by Candid](#)
 - [GrantForward](#)
 - [GrantAdvisor](#)

Partners

- [MSU Center for Regional Food Systems](#)
- [MSU Product Center](#)
- [MSUE Farm Management](#)
- [MSUE DEMaND](#)