



Funding for Small-Scale Farms: Tips for Grant and Loan Proposals

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Oklahoma Cooperative Extension Fact Sheets
are also available on our website at:
<http://osufacts.okstate.edu>

Introduction

More small-scale and specialty crop farmers are looking for grants and micro-loans to subsidize operation expansion, increase market reach, diversify the operation or share lessons learned with other producers. Additional capital may be needed to build a hoop house or greenhouse, dig a pond, improve irrigation, buy livestock or fund costs associated with hosting an educational field day. The federal government as well as state governments, local organizations and foundations sometimes set aside funding to help farmers invest in their businesses, educate them or mentor other producers. Some funding sources will provide the full amount needed, while others use a cost sharing or matching model.

Loans must be repaid. The terms, such as interest rate, payback period and frequency of payments may be negotiable. Having a financial plan to demonstrate repayment capacity will be important. Grants provide funds that do not have to be repaid; however, grants generally require that recipients share lessons learned with other producers through field days, open houses, publications, presentations at workshops or conferences, etc. Grants are scarce and typically have a specific focus, which may or may not be applicable to your operation. Grants rarely pay for capital assets (such as land, machinery, equipment, breeding livestock, buildings or property improvements).

Knowing the value and impact small-scale farms can have on local communities and food systems, substantial resources have been dedicated to small-scale and beginning farmers and ranchers since the 2008 Farm Bill. According to the United States Department of Agriculture (USDA), a farm is defined as any place from which \$1,000 or more of agricultural products may be produced and sold. Beyond direct capital, USDA has composed a list of resources for new and beginning farms that provides information on everything from developing a business plan to seeking funding and program assistance by state. More information can be found at: <http://afsic.nal.usda.gov/farms-and-community/grants-and-loans-farmers>

Preparing a Grant or Loan Proposal

To maximize success when pursuing funding, be sure to follow these steps before writing grant proposals or filling out loan applications.

Get a plan on paper. Realistically examine the existing farm or potential enterprise and assess goals and priorities, then identify timetables for returns on investments. Make note of prior successes on the farm operation and how you learned from mistakes. This will help you and a funding agency gauge strengths and weaknesses to maximize the impact of additional capital. Several websites offer resources to help develop a business plan. Farm Credit University is an online course that helps farmers and ranchers develop business plans and learn how to work with agricultural lenders: <http://www.fcuniversity.com/ag-biz-planner.html>. Ag Plan (www.agplan.umn.edu) helps rural business owners develop a business plan. It includes sample business plans, along with tips and resources. Ag Plan also allows you to share the plan with business advisors, educators or consultants.

Collect or prepare financial statements. Whether seeking a grant or applying for a loan, have documents prepared which show cash flow. Supplement this with a balance sheet, which will summarize existing debt and the value of assets. Also note any off-farm income planned to support the business. Extension fact sheets with step-by-step instructions on building financial statements (cash flow, balance sheet, income statement) are available on osufacts.okstate.edu.

Keep records. This will assist in management of the two previously mentioned practices. Depending on the type of operation, daily, weekly, monthly and annual records of income, expenses, production, purchases and sales of assets will help you and a lender or grant provider make the most informed decision when it comes to funding your operation. The OSU Agricultural Economics Department offers a variety of resources to assist producers in adapting Quicken, an inexpensive personal finance software tool, for farm and ranch financial recordkeeping (agecon.okstate.edu/quicken).

Grant Writing Basics

Read the request or call for proposals carefully. Make sure your goals align with the funder's mission. If what you want to achieve doesn't match well with the agency or organization's call for proposals, look elsewhere. If unsure, ask. Most calls for proposals include contact information. Save yourself time, energy and frustration by avoiding a mismatch early on.

Follow the instructions. This seems easy enough, but grant applications often are not considered due to the applicant's failure to read and follow the instructions. Government agencies must strictly follow announced rules. Failure to comply with the requirements leads to quick disqualification. An incomplete application or one in which not all directions were followed is dismissed, despite how well written or innovative the proposed project.

Study the evaluation criteria. Some calls for proposals note the weights given to different components of the proposal. While no segment should be skipped, pay special attention to segments given large weights.

Start early. Many grants and some microloans require letters of recommendation or a professional/specialist's endorsement for your proposed project. To receive a good letter of recommendation or endorsement, the writer will need to understand the proposal. Provide them with an abstract, outline or even full proposal early on to allow plenty of time for their review of your proposal and development of a recommendation prior to the submission deadline.

Make an outline. Grant writing can be a daunting task. Once goals and priorities are set, construct an outline of what you plan to submit. This will likely include a narrative, timeline and a budget submission. Calls for proposals often specifically outline the required information. Read through the instructions step-by-step and form the proposal accordingly. Not only will this help create a logical thought flow, it will ensure all the points required by the funder are addressed. The University of Wisconsin provides logic model templates, which help organize proposals through a focus on the sequence of actions associated with the proposed project, including components such as inputs, outputs, outcomes, assumptions and external factors (<http://www.uwex.edu/ces/pdande/evaluation/evallogicmodel.html>).

Be organized and articulate. Keep in mind that you may be immersed in your idea or operation, but the person reading the application does not know anything about it. Presenting an organized proposal with a logical train of thought and a concise explanation of the intended use of funds will go a long way to ensure success. The person reading the proposal should not have to work hard to put the pieces of the puzzle together or understand the request for funding. Be clear and specific. Avoid the use of jargon or acronyms unless absolutely necessary. Spell them out or define acronyms when included. Organize the proposal with headings and subheadings if necessary. Tip: Give your proposal to a friend or family member who knows little about the operation and what you are requesting. Your application should be easily read and understood.

Convince the reader. Provide a strong argument for funding the project. Use information and data collected to demonstrate the funds will be used effectively and efficiently towards a significant impact. Write the proposal with the funder's organizational goals in mind and show that you have a project or program that will address an unfulfilled need. Again, have friends, family or colleagues read the proposal. Are they excited by the project? Did you convince them of its potential impact?

Ask questions. If allowed, communicate any questions regarding the proposal to the funder or designated contact well ahead of the deadline. Organizations and agencies will be happy to provide guidance because it benefits all parties well in the long run. You will have a better proposal, and they

won't have to review proposals that are not suitable or well developed. Be as brief and specific as possible. Do not miss out on a funding opportunity merely because you needed further guidance or advice on writing or submitting your proposal and were afraid to ask.

Have it reviewed. Spelling or grammar mistakes can happen, especially when reading and re-reading the same document. In addition to following instructions, correct spelling and grammar helps impress reviewers and demonstrates your competency. Have a trusted source read the document and check for any mistakes.

Professionalism matters. Aesthetics of the proposal can be just as important as the content. Whether submitting a hard copy or digitally, check to make sure the formatting, font and use of headings is consistent throughout. If printed, ensure the paper is neat and tidy with no marks, stains or wrinkles.

Do your research. Provide documentation, through the narrative and budget, that shows you have truly calculated the cost and time needed to fulfill the grant requirements plus the impact of the project. Provide references if appropriate.

Carefully prepare the budget. While some costs are precise, you will likely need to make estimates based on research, data collected and past experience. Be reasonable in your request. It is important to be transparent and provide rationale for each budget item. Check the math. If you submit a spreadsheet along with a narrative, make sure the sum of funds requested matches within each section and as a whole.

Develop a realistic timeline. Be reasonable in what you propose to deliver. Reviewers will be skeptical of the likelihood of success if you promise too much too soon. Include a sample timeline.

Consider partnerships. If the grant guidelines allow, consider partnering with another individual, organization or entity. Involving more people and entities can create a stronger proposal by generating more ideas and creating accountability. Often, proposals require partnering to further the reach and ensure a broader impact.

Funding Sources

Descriptions of some opportunities for funding for small-scale farms follow. Remember, this is not a comprehensive list and additional funding sources may be available in your city, county or region.

Grants

Grants are a good avenue for funding to support economic development or educational programs without taking on additional debt. Grants are generally not available to fund a business startup, and often limit or preclude purchases of capital assets such as land, machinery and equipment or breeding livestock.

USDA Small Farm Funding Resources

<http://ric.nal.usda.gov/small-farm-funding>

This site contains resources for the entire funding process, from developing a business plan to financial planning resources and program assistance. It also contains information for state programs, agricultural lenders and funding available through USDA programs such as Rural Development and the Natural Resources Conservation Service. Additionally, it has

an alphabetized list of organizations and their websites that provide funding for small-scale farms.

SARE

<http://www.sare.org/Grants>

Sustainable Agriculture Research and Education (SARE) provides an array of grants for sustainable agriculture and conservation efforts such as renewable energy, high tunnels, implementing crop rotation and cover crops, crop and livestock diversity, no-till and more. Grant programs can be searched by state and indicate who can apply for a particular grant: educators, non-profits, producers, graduate students, agricultural researchers, etc. For the southern region of the U.S., producer grants are for research, education and outreach purposes only. SARE grants are not targeted to beginning farmers, nor are they intended to pay a farmer to farm, start a farm, buy land or make capital investments or farm improvements (<http://www.southernsare.org/Grants/Types-of-Grants/Producer-Grants>). They are designed to reduce the financial risk in trying to find a sustainable agricultural solution to a current farm issue. Project maximums are \$10,000 for an individual farmer or rancher and \$15,000 for a farmer organization. Grant can include up to two years of research. Southern SARE funds about eight producer grant proposals each year, selected from the pool of applications that are read and rated by external reviewers. Thus, your application competes with other applications for funding. Producer grant funds may be used for items such as costs of sampling and sample analysis, materials and supplies needed for the project, outreach expenses such as holding a field day, travel needed for the project, hired labor for things that you can't do yourself, your labor for project activities above and beyond normal farming duties, refreshments at field days, etc. The schedule for Southern SARE grants is: September—calls for producer grant proposals are released; November—producer grant proposals due; March—producer grants awarded.

Oklahoma Department of Agriculture, Food and Forestry (ODAFF): Agricultural Enhancement and Diversification Program

<http://www.oda.state.ok.us/mktdev/aedp.htm>

The Oklahoma Agriculture Enhancement and Diversification Program provides funds in the form of grants or a zero percent interest loan for the purpose of expanding the state's value-added processing sector and encouraging farm diversification. Funds, provided on a cost-share basis, must be used for marketing and utilization, cooperative marketing, farm diversification or basic and applied research. ODAFF programs include: Farm Diversification Grant; Marketing and Utilization Loan; Cooperative Marketing Loan; Basic and Applied Research Loan/Grant; and Agricultural Event Grant. All funding proposals must clearly demonstrate the ability to directly benefit Oklahoma farmers and ranchers. Proposals are evaluated by a 10-member Advisory Board, whose recommendations for funding are submitted to the Oklahoma State Board of Agriculture. Applications are evaluated quarterly. Proposals may be submitted at any time, but 15 copies must be received prior to the quarter's deadline to be eligible for review that quarter (first business day in January, April, July and October). Applicants are encouraged to submit their proposals at least six months prior to the anticipated start time. Applicants must be at least 21 years of age and reside

and be a legal resident of Oklahoma. Information about these different programs from the ODAFF website follows.

The Farm Diversification Grant funds new and innovative plans for marketing products, diversifying a family farm, ranch or agritourism venue to non-traditional crops and/or livestock or development of an agritourism venue promoting access to a new market. Applicants must include an endorsement from a professional/specialist in the field in which the applicant is applying. Grants are available at three levels up to \$10,000. Awards of more than \$2,500 require at least some level of matching funds.

Marketing & Utilization Loans may be used to assist in the development or implementation of a sound domestic or foreign marketing plan for Oklahoma agricultural products, by-products or agritourism venues. New or better uses for existing agricultural products by the financing of feasibility studies, business plans or test marketing also qualify. Loans must be used for product development and/or implementation of a sound marketing plan. Applicants are encouraged to use the funds to seek new products, new markets and marketing ideas. Proposals should encourage the creation of jobs and industry within the Oklahoma agricultural economy. Applicants are encouraged to research potential markets for their products, estimate the financial possibilities of markets and present an action plan. A realistic timeline for success must be presented. Loans may not be used to purchase land, buildings or equipment. They may be used for feasibility studies, business plans, legal expenses, consultant fees, product development and marketing.

Cooperative Marketing Loans are available to entities or individuals wishing to work together to develop or establish production, process or market agricultural products or establish agritourism ventures. The purpose of this loan is to promote productivity, provide added value to agricultural products, stimulate agricultural diversification and encourage processing innovations. Principals should be individuals rather than a previously existing corporation. Those individuals must have some type of cooperative agreement between themselves ensuring proper accountability for the proposed plan. The agreement may be formal or informal, but proof of an agreement must exist. Individuals are encouraged to seek marketing partners within Oklahoma. Applicants should provide an outlet for products not normally marketed through an existing marketing cooperative. A sound marketing plan for the product should be included. Applicants are encouraged to work with a professional (legal, agricultural or economic development specialist) who will serve as an advisor. Consulting fees may be included in the application budget.

Basic and Applied Research Loans are available to individuals or entities wanting to conduct research for the purpose of business creation or expansion focusing on agricultural products or by-products. Applicants should focus research on use and processing of agricultural products and by-products. The project should develop the expanded use of technology for processing of agricultural products and by-products in Oklahoma. Applications must not be aimed at business expansion or creation without regard to agricultural products use, must include only research that can reasonably be expected to result in a marketable product and not duplicated by other research. Applications should exhibit thoughtful planning, expansion of jobs in rural areas and a reasonable opportunity for commercialization.

ODAFF also offers the opportunity to apply for an **Agriculture Event Grant**. Applicants should focus on creating or expanding an event that benefits and furthers the public interest in agriculture. The Board seeks applications impacting the entire state or a large geographic region of the state. Successful applications will prove an enhanced economic impact, increased participation and attendance and include an educational component. Each applicant is required to submit a letter endorsing the Event from a city or county government official or the local Chamber of Commerce. Applications are considered on an individual basis and on their own merit. A thirty (30) minute presentation to the Board is required. The Board reserves the right to reject any grant application. Grants are available at the following levels: \$2,500 or less for an economic impact of \$5,000 or less; \$2,501 to \$5,000 for economic impact of \$5,000 to \$75,000; and \$5,001 to \$10,000 for economic impact of \$75,001 or more. For additional information, contact Jason Harvey at (405) 522-5563 or Jason.harvey@ag.ok.gov.

Other Grants

Local grants, very specialized and tailored to the particular needs of an area or region, may also be available. Your local Extension educator or area agricultural economics specialist may know of local or regional funding sources and meeting the educator may save time spent searching on your own. Introducing yourself and your operation to someone who can be of great assistance in the future, beyond seeking funding, is time well spent.

Agricultural Loans

Loans for small-scale farms may be available for either operating expenses or for asset purchases, but must be repaid on terms specified by or negotiated with the lending entity. Loan terms will vary, depending on the type of funding provided and the perceived risk of the loan. Local commercial banks may provide agricultural loans for asset purchases or operating expenses. In rural communities, this may be an emphasis for the local bank; however, in urban areas, fewer commercial banks may provide agricultural loans. Farm Credit Service institutions throughout the U.S. are also a source of funds for both large and small agricultural enterprises (<http://www.farmcreditnetwork.com/>). These borrower-owned cooperatives collectively provide \$217 billion in loans, leases and related services to U.S. agriculture. Another important provider of agricultural credit is USDA's Farm Service Agency (FSA). FSA has historically been referred to as the "lender of last resort" as it makes loans to applicants who have been turned down by commercial sources of credit. FSA loan programs include farm operating loans, farm ownership loans, emergency farm

loans, guaranteed farm loans, microloans and youth loans: <http://www.fsa.usda.gov/programs-and-services/farm-loan-programs/index>. Additional information about standard interest rates, loan terms and funding is provided.

FSA offers especially low interest rates for socially disadvantaged applicants (SDA). A SDA farmer or rancher is a group whose members have been subject to racial, ethnic or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of American Indians or Alaskan Natives, Asians, Blacks or African-Americans, Native Hawaiians or other Pacific Islanders, Hispanics and women. A socially disadvantaged group is a group whose members have been subject to racial or ethnic prejudice because of their identity of a group, without regard to their individual qualities (note: gender alone is not a covered group). A socially disadvantaged applicant is an individual or entity who is a member of a socially disadvantaged group. For an entity, at least 50 percent ownership in the farm business must be held by socially disadvantaged individuals.

FSA makes and guarantees loans to eligible socially disadvantaged farmers (SDA) to buy and operate family-size farms and ranches. Each fiscal year, the agency targets a portion of its direct and guaranteed farm ownership (FO) and operating loan (OL) funds to SDA farmers. Non-reserved funds can also be used by SDA individuals.

FSA also targets a portion of its loan funds to small and Beginning Farmers and Ranchers (BFR). 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.
- Meets the loan eligibility requirements of the program to which they are applying.
- Substantially participates in the operation.

Summary and Conclusions

Obtaining funding for an agricultural enterprise or activity requires planning and preparation. The tips provided in this Fact Sheet are designed to enhance the likelihood of success in getting funding. Farmers and ranchers seeking funding for operations or purchases of capital assets such as machinery and equipment, breeding livestock or land are likely limited to loans. If credit is not available from commercial sources, USDA's Farm Service Agency offers several types of loans, some of which are targeted to small and beginning farmers. Grants are typically targeted to expanding educational opportunities for producers. Developing successful grant proposals requires careful thought and attention to detail.

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