



## MN Rural Finance Authority and AgBMP

Matt McDevitt, Ag Finance Supervisor

# RFA History

- Established in 1986 with the Restructure Loan Program
- Beginning Farmer Loan Program in 1987
- Aggie Bond in 1991
- Ag Improvement Loan Program in 1992
- Livestock Expansion Loan Program in 1994
- Revolving account for Stock Loan Program in 1994
- Methane Digester Loan Program in 2002
- Livestock Equipment Loan Program in 2005
- Disaster Recovery Loan Program in 2007
- Pilot Agricultural Microloan Program in 2012
- Farm Opportunity Loan Program in 2015

- Help Minnesota farmers obtain affordable financing under terms and conditions not available from other credit sources.
- Help local institutions be competitive
  - Lower interest rates
  - Share risk
  - Manage local lending limits
- Easy to use and prompt approval process
- Utilize local lenders supporting loan documentation

## **Sale of State Bonds**

- RFA has to pay these back
- \$50 million appropriation in 2020
  - Beginning Farmer & Seller Assisted - Tax Exempt/Taxable
  - Agriculture Improvement - Taxable
  - Livestock Expansion - Taxable
  - Restructure II - Taxable

## **Allocation of Federal Tax-Exempt Bonds (paper transactions)**

- Aggie Bond

## **Dedicated Revolving Account (repayments go back into the account)**

- Disaster
- Livestock Equipment
- Value Added Ag Product
- Agro-Forestry
- Microloan
- Farm Opportunity
- Methane Digester

# Bonding Dollars Available

- 2023 Authorization
  - About \$39 million left of \$50 million
- Loan requests have held fairly steady even in a high-interest rate environment
- RFA expects to exhaust funds by about December of 2026

# RFA Performance Measures

## RFA Performance Measures (1986 to 2022)

- 4,149 loans have been issued, totaling \$417.5 million
- Losses of \$698,570 taken on 24 loans
  - 0.0016% of total loans issued
- Currently have 945 active loans with a balance of over \$128.3 million

# How the RFA Works

- We participate with local lenders
- We take 45% of the loan
- Local lender does most of the paperwork
- The local lender lends all of the money, and we “buy” our 45% from them after the loan closes
- The borrower pays the lender, the lender pays us
- Loans contain five-year prepayment penalty

# Beginning Farmer and Seller Assisted Loan

Help beginning, entry-level farmers purchase real estate

- Can be bare land, farm site, or five acres with a barn
- Net worth can not exceed \$1,042,000 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan to a maximum of \$500,000 from the RFA
- Max debt per acre (80 acres x \$3500 x 45%)
- 5.00% RFA interest rate for 10 years
- Program may be used more than once
- Enrollment in farm management program
- Obtain life insurance to cover loan amount

# Beginning Farmer Example

A young farmer is buying a 15-acre farm site with a home, barns, and pasture for his beef cattle operation

Creditor	Dollars	Interest Rate	Lien Position
Purchase Price	\$200,000		
Down Payment	\$40,000		
Remaining Credit Needed	\$160,000		
RFA's 45%	\$72,000	5.00%	Shared First
Lender's 55%	\$88,000	7.25%	Shared First

# FSA/RFA Working Together for Minnesota Farmers

## *Memorandum of Understanding*

### **For Beginning Farmers:**

- FSA agrees to waive the 1% origination fee
- FSA agrees to issue 95% guarantees
- Applies to regular or “Down Payment D-FO” loans
- RFA will do a 20-year balloon on loans including FSA Beginning Farmer Down Payment Program

# FSA/RFA Working Together for Minnesota Farmers

## FSA/RFA Example Using The Beginning Farmer Loan Program

- \$500,000 Purchase Price
- \$25,000 Down payment (5% down)

Creditor	Dollars	Interest Rate	Lien Position
<b>Credit Needed</b>	\$475,000		
<i>FSA Down Payment</i>	\$225,000	1.50%	Second
<b>Remaining Credit Needed</b>	\$250,000		
<i>RFA's 45%</i>	\$112,500	5.00%	Shared First
<i>Lender's 55%</i>	\$137,500	7.25% +/-	Shared First

# Agricultural Improvement Loan

Used to finance improvements to the farm for any ag related purpose, such as livestock buildings, grain handling facilities, machine storage, and manure systems

- Net worth can not exceed \$1,042,000 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan to a maximum of \$500,000 from the RFA
- 5.00% RFA interest rate for 10 years

# Livestock Expansion Loan

Creates affordable financing for new state-of-the-art livestock production facilities

- Used for new hog barns, poultry barns, cattle barns, robotic milkers, etc.
- Net worth that does not exceed \$2,212,000 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan up to a maximum of \$625,000 from the RFA
- 5.25% RFA interest rate for 10 years

# Restructure II Loan

Restructure loans help farmers reorganize their farm debt to improve cash flow

- Net worth that does not exceed \$2,212,000 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan up to a maximum of \$625,000 from the RFA
- 5.25% RFA interest rate for 10 years

# Disaster Recovery Loan

Helps farmers affected by recent disasters for farm expenses not covered by insurance

- State or federal declared disaster, or a disaster area as determined by the RFA Board
- Used to help clean up, replace feedstock and other inputs, or repair buildings
- Can be used to purchase watering systems during a drought disaster
- Covers the loss of revenue when there is a contagious disease (animal or human)

# Disaster Recovery Loan

- Loan is limited to 45% of a qualifying loan to a maximum of \$200,000 from the RFA
- 0% RFA interest rate
- Interest only payment required in first two years
- No maximum net worth
- Collateral is negotiable
- 123 Disaster Recovery loans issued for \$9.1 million

# RFA Disaster Resolution 2025-03

**NOW, THEREFORE BE IT RESOLVED** that the Rural Finance Authority declare an emergency for all 87 counties in the State of Minnesota effective February 13, 2025. By declaring this agricultural emergency, Minnesota farmers can utilize the RFA Disaster Recovery Loan Program to replace flocks or livestock, make building improvements, or cover the loss of revenue when the replacement, improvements, or loss of revenue is due to the confirmed presence of a highly contagious animal disease in a commercial poultry or game flock, or a commercial livestock operation, located in Minnesota. This resolution shall remain open for loan applications one year from the February 24, 2025 - date of adoption.

**\*This Resolution will amend the effective date to April 1, 2024.**

# Livestock Equipment Loan

Help beginning farmers purchase livestock related equipment, facilities, and improvements

- Net worth can not exceed \$592,219 (indexed for inflation)
- Loan is limited to 45% of a qualifying loan to a maximum of \$100,000 from the RFA
- 2.00% RFA interest rate
- Must be principal owner of livestock for which the equipment will be used

# Farm Opportunity Loan

Used to purchase machinery/ equipment to:

- Add value to crops or livestock
- Adopt best management practices
- Reduce or improve management of ag inputs
- Increase production of on-farm energy
- No maximum net worth requirement
- Individual loan 45% up to \$100,000
- Group loan 45% up to \$250,000
- 5.00% RFA interest rate for 10 years

# Value Added Agriculture Product Program

This program is designed to provide financing for farmers with limited capital who want to buy stock in a cooperative proposing to build or purchase and operate an agricultural product processing facility in Minnesota

The RFA will participate in loans at 45% of the loan up to a maximum of \$40,000

# Meat & Poultry Intermediary Lending Program (MPILP)

- \$15 million grant from USDA secured late in 2022 to establish a revolving loan program to support small- and medium-sized meat & poultry processors
- Direct loans as little as \$50,000 and up to \$10 million will be available at 3%
- Funds can be used to purchase land or equipment, cover start-up costs, and make other business investments

## **PROJECTS FUNDED – ALL DIRECT as of February 7, 2025**

- New - full slaughter processing facility located on farm site – August 2023
- New - slaughter processing facility real estate – December 2023
- New - slaughter processing facility real estate – January 2025
- Expansion - turkey deboning facility real estate & equipment – Sept. 2024
- Expansion - equipment full slaughter facility – December 2024

# MPILP In Progress Projects

**Projects funds approved by MDA and USDA; waiting for projects to be constructed:**

- Direct funds - new halal slaughter & processing facility in Willmar
- Direct funds - expansion processing facility in Nerstrand
- Direct funds – new slaughter & processing facility in Lewiston

In underwriting: Participation funds with lending institution for a new slaughter and meat processing facility

# Beginning Farmer Tax Credit - Overview

- **Non-refundable state tax credit for landlords and sellers** who work with beginning farmers
- Eligible agricultural assets include farmland, livestock, facilities, and machinery
- Funding is limited
- First-come, first-served application opens in January each year



# Beginning Farmer Tax Credit - Credits

In each given tax year, the asset owner can claim credits in **either** a rental or a sale with **each** eligible beginning farmer. Tax credits are funded first-come, first-served regardless of deadlines below

	Amount	Direct Family Eligible?	Maximum	Due Date
Cash rentals	10% of annual rental income	No	\$7,000	July 17, 2025
Share crop rentals	15% of annual rental income	No	\$10,000	July 17, 2025
Sales	8 - 12% of sale price	Yes	\$50,000	Nov 1, 2025
FBM tuition reimbursement	Equal to tuition		\$1,500; 3 years	Nov 1, 2025

# Beginning Farmer Tax Credit - Eligibility

## Beginning Farmer Eligibility

- Resident of Minnesota (resident means an “individual”), farming in Minnesota
- Entered into farming in the last 10 years
- With the exception of land sales, asset owner cannot be direct family of beginning farmer or beginning farmer’s spouse (direct = grandparents, parents, children, grandchildren, siblings)
- Net worth below \$1,042,000
- Does majority of the farm labor and management
- Enrolled in or has already completed an approved farm business management program

# Beginning Farmer Tax Credit - Funding

- Funding is limited
  - \$4 million annually
  - Sunsets in 2030
- Recent legislation changes
  - Budget cut by nearly 40% for 2025
  - Eliminated rollover funds in 2024
  - Expanded eligibility to direct family and increased maximum credit amount (from 32K to 50K) for land sales in 2023



# Tax Credit Funding by Year

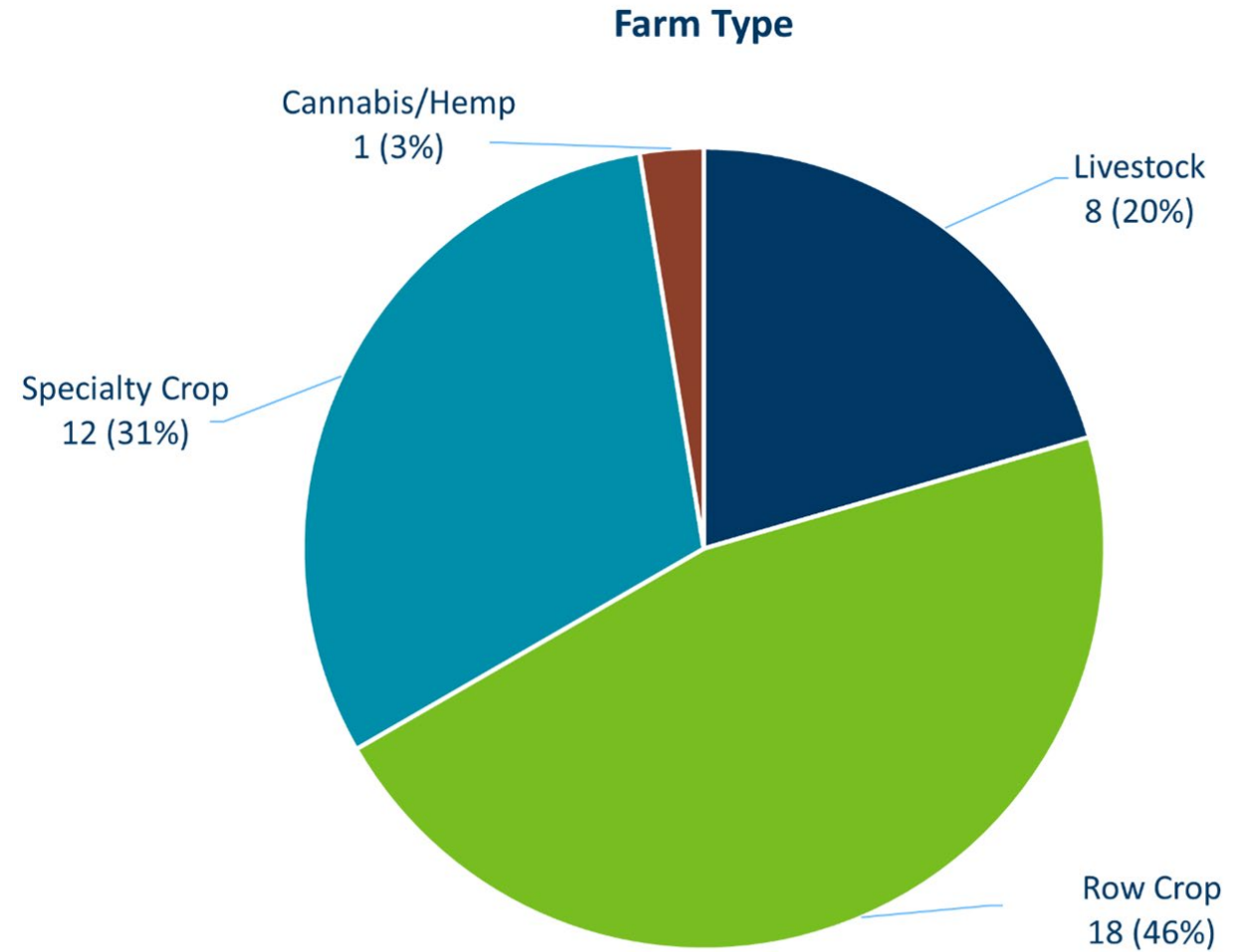
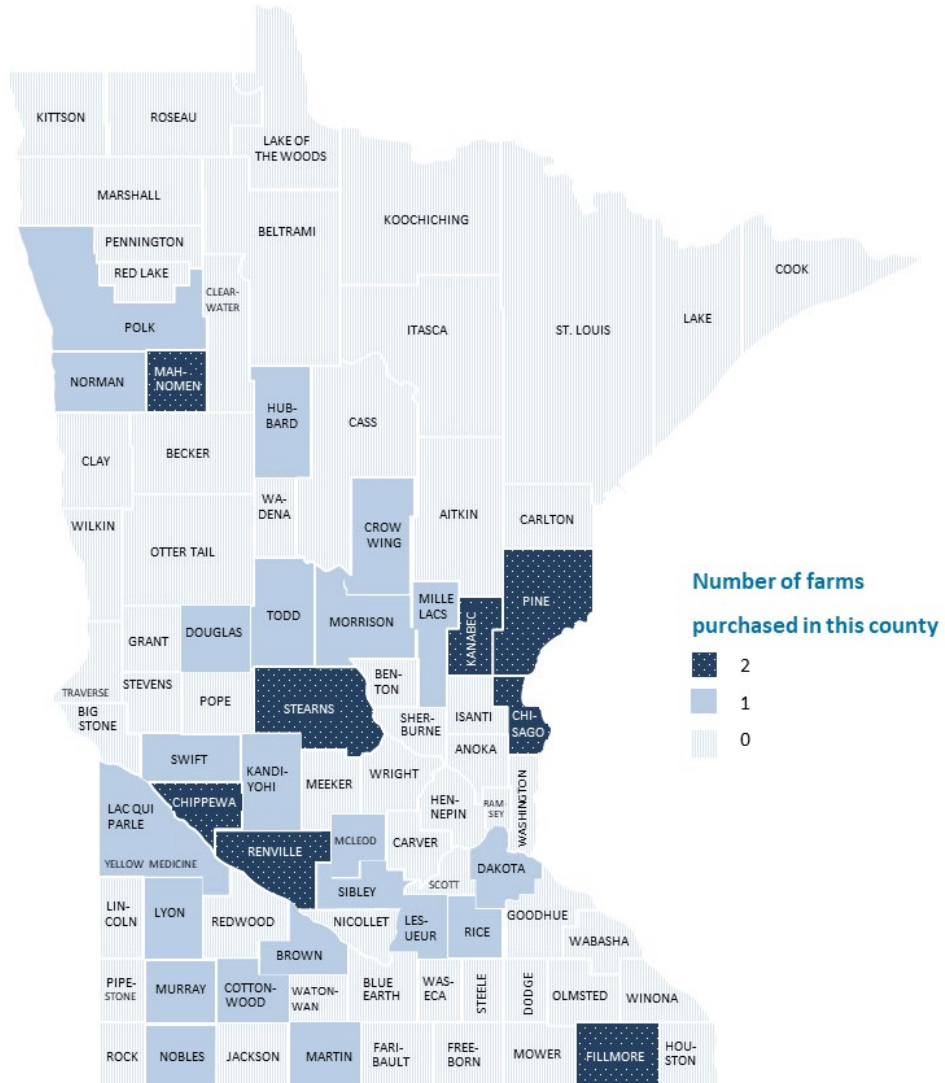
	Available	Requested	Issued	% of Requests Issued
2018	\$5,000,000	\$2,277,057	\$2,277,057	100%
2019	\$8,989,489	\$2,704,654	\$2,704,654	100%
2020	\$12,696,984	\$2,874,802	\$2,874,802	100%
2021	\$16,047,813	\$3,209,528	\$3,209,528	100%
2022	\$19,534,833	\$3,143,550	\$3,143,550	100%
2023	\$6,500,000	\$6,540,497	\$6,500,000	99%
2024*	\$4,000,000	\$6,530,636	\$4,000,000	61%

# Down Payment Assistance Grant

- Established in 2023
- \$15,000 grant for first-time farm buyers
- Lottery application with priority for farmers who:
  - Earn less than \$100,000 in gross farm sales **and/or**
  - Grow cannabis, industrial hemp, or specialty crops
- Supported 96 farmers buy land so far
  - 71 in FY23 and FY24
  - 25 so far in FY25 (closed or signed purchase agreement)
- Continuously funded for \$750,000 annually
- Applications will likely reopen in late summer or fall 2025



# Down Payment FY24



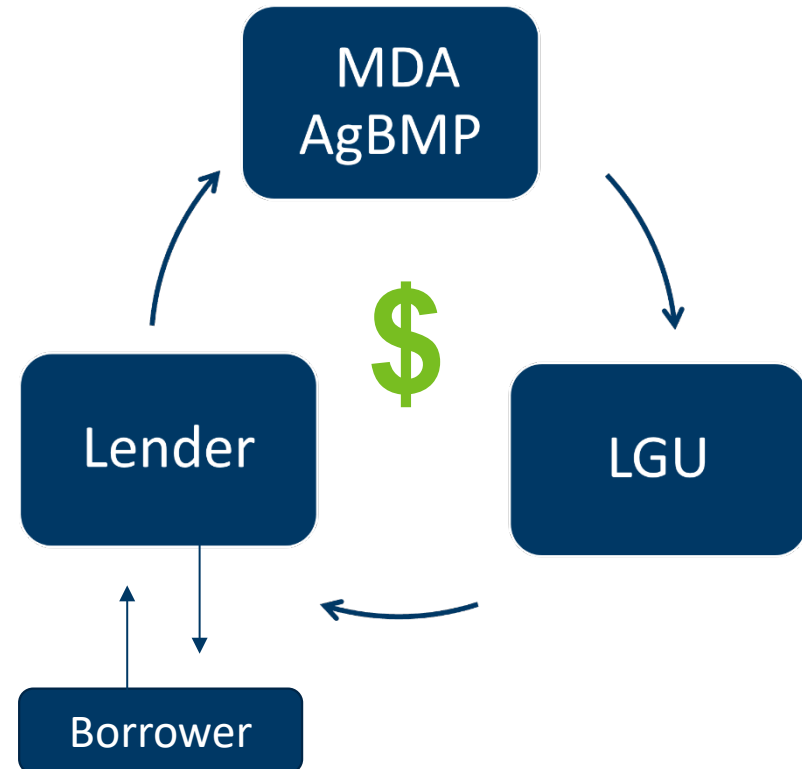
# Agricultural Best Management Practices (AgBMP) Loan Program

The AgBMP Loan Program was established in 1995 to provide a financing option to encourage farmers and landowners to implement projects or practices that prevent, reduce, or eliminate environmental pollution.

# AgBMP Loan Program

## Who Does What?

- **MDA:**
  - Manages all funds and contracts
  - Reviews and processes completed loan requests
- **Local Government Unit (LGU):**
  - Manages local budget
  - Reviews and prioritizes local environmental concerns
  - Approves eligibility of Borrower's funding request
- **Lender:**
  - Evaluates the creditworthiness of the Borrower
  - Submits applications to MDA and services the loan
- **Borrower:**
  - Implements the project or practice and repays the loan



# AgBMP Eligibility Criteria: Must Benefit Water Quality

Eligible projects or practices can be solely funded by the AgBMP Loan Program or in combination with other grants, cost-share, or loan programs.

- Use science and environmental benefits to prioritize loans
- Does it help - prevent, reduce, or eliminate:
  - Water quality problem?
  - Drinking water issues?
  - Odor problem?
- Borrower:
  - Farmer
  - Farm supply business
  - Rural landowner
  - Water quality cooperative
  - Any septic related project



# AgBMP Loan Program Terms

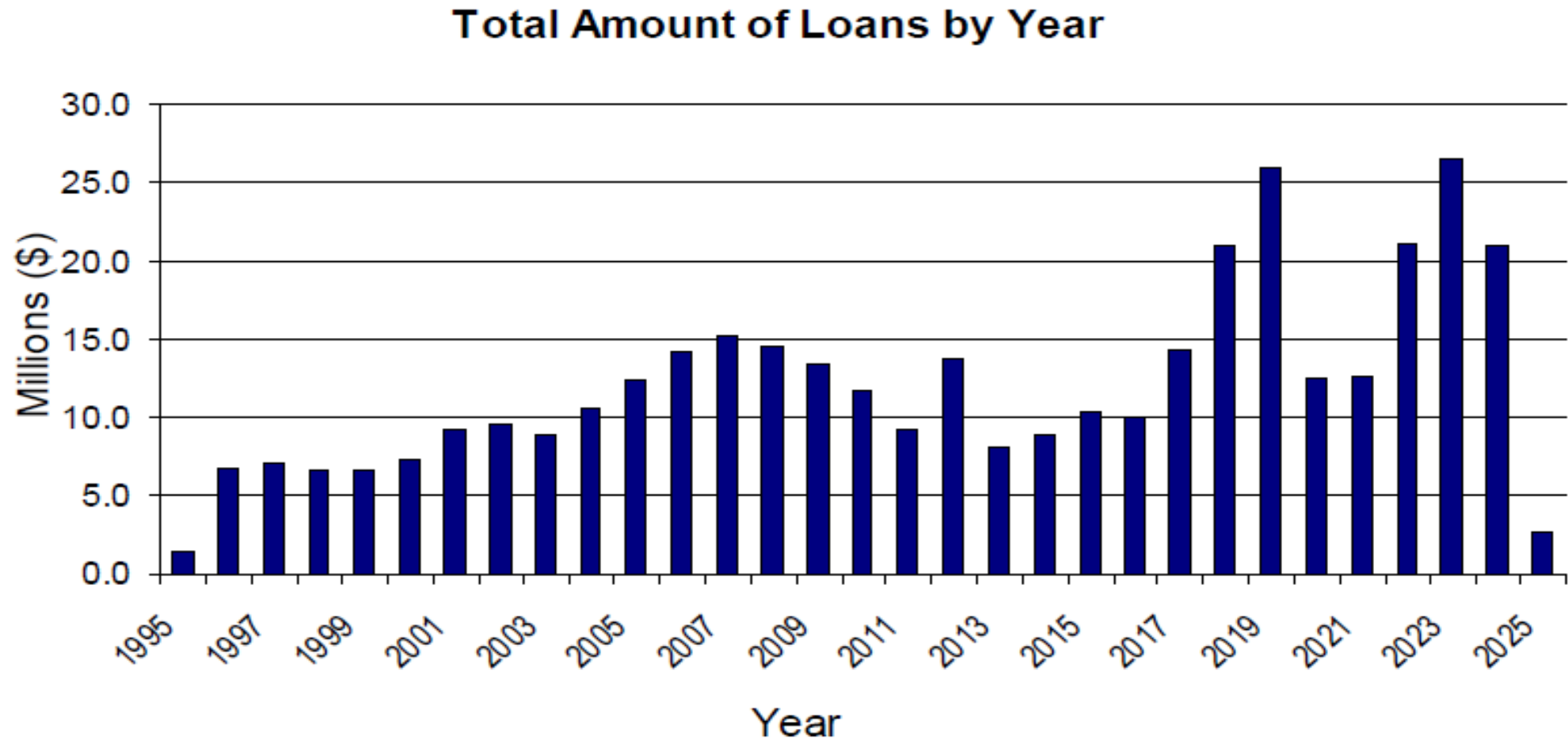
- Maximum \$200,000 total in loan funding per borrower at any given time
- Up to a 10-year loan term
- Maximum of 3% interest + fees



# AgBMP Lending Milestones

- Number of total loans: 19,380
- Total loans by amount: \$373,361,616
- Loan Corpus: \$102.16 million total
- Funding leveraged through loans: \$461.6 million total
- AgBMP Loan Program Repayment Defaults: \$0
- LGU and Lender contacts located in every county of Minnesota

# AgBMP Activity by Calendar Year



# AgBMP Loans Issued Since 1995 - Feb 2025

## Summary of AgBMP Loans Issued by Category

### All Funding Sources Included

Funding: All Funding Sources Included - All Funds

7/1/1995 - 2/28/2025

Category	Number of Loans	Amount of Loans	% by Amount	% by Number
Ag Waste Management	3,286	\$126,310,607.37	33.8%	17.0%
Structural Erosion Control	2,922	\$10,398,377.35	2.8%	15.1%
Conservation Tillage Equipment	4,356	\$129,724,336.85	34.7%	22.5%
Septic Systems	8,020	\$82,883,996.40	22.2%	41.4%
Other Practices	796	\$24,044,298.87	6.4%	4.1%
Total	19,380	\$373,361,616.84		

# AgBMP Loans Issued Last 12 Months

## All Funding Sources Included

Funding: All Funding Sources Included - All Funds

2/28/2024 - 2/28/2025

Category	Number of Loans	Amount of Loans	% by Amount	% by Number
Ag Waste Management	83	\$6,966,053.17	32.9%	12.0%
Structural Erosion Control	250	\$760,584.12	3.6%	36.1%
Conservation Tillage Equipment	77	\$6,625,447.18	31.3%	11.1%
Septic Systems	220	\$4,361,100.50	20.6%	31.7%
Other Practices	63	\$2,467,944.16	11.7%	9.1%
Total	693	\$21,181,129.13		

# LGU Funding Availability for 2025

## Past 2-Years of LGU Funding Requested:

- 2024 - Over \$54.2 million
- 2023 - Over \$46.4 million

Average Request = \$50.3 million / year

## Projected Future Loan Funding Available for LGUs:

- 2026 - \$15,778,716
- 2027 - \$14,349,078

FY26-27 Projected LGU Funding Request Shortfall:  
\$39.8 million / year

## Available Loan Funding

**\$32,073,771**

= LGU current budgets +  
lender repayments +

approved new appropriated funding

(LGU 2025 Applications requested over \$54.9 million)

Matt McDevitt

[Matthew.McDevitt@state.mn.us](mailto:Matthew.McDevitt@state.mn.us)

651-201-6311