

## Minnesota Financial Resources for Farmers

Minnesota laws have established several grant and loan programs to help beginning farmers get started, existing farmers expand their operations, and innovative farmers try new and different approaches. Most of these programs are offered through the Minnesota Department of Agriculture (MDA) and its Rural Finance Authority (RFA) division. This paper briefly summarizes several of the programs. At times these programs may be closed to new applications for lack of available funding.

### ***Aggie Bond Beginning Farmer Loan Program***

Coordinated by the RFA, this federal program allows a beginning farmer to apply to a local lender for a real estate mortgage. The lender can then purchase a tax-free bond for the loan amount. The tax-free nature of these bonds allows the lender to reduce the interest rate paid by the farmer. Contact: RFA; 651-297-2175. <http://www.mda.state.mn.us/agfinance/aggiebond.html>.

### ***Basic Farm Loan Program***

This state program offers affordable financing and technical support for beginning farmers. The RFA carries 45 percent of the loan principal (a maximum \$125,000 per loan), and a local lender carries the balance. The current interest rate is 5.5 percent. Contact: RFA; 651-296-4985. <http://www.mda.state.mn.us/agfinance/basic.html>.

### ***Seller Assisted Farm Loan Program***

This program for beginning farmers includes financing provided by the seller, with the RFA participating at up to 45 percent of the mortgage (maximum \$125,000 per loan), and a local lender carrying the balance. The current interest rate is 5.5 percent. Contact: RFA; 651-296-4985. <http://www.mda.state.mn.us/agfinance/seller.html>.

### ***Restructure II Loan Program***

This loan program is for farmers with reasonably good credit status but who are having trouble with cash flow due to adverse events. The RFA will carry up to 45 percent of the loan principal (maximum \$150,000 per loan), and a local lender will retain the balance of the loan. The current interest rate is 7.0 percent. Contact: RFA; 651-296-4985. <http://www.mda.state.mn.us/agfinance/restructure2.html>.

### ***Agricultural Improvement Loan Program***

This program allows eligible farmers to finance capital improvements to their farming operation to improve efficiency, productivity, and income. It can be used for land, buildings, and affixed equipment. The RFA will carry up to 45 percent of the loan principal (maximum \$125,000 per loan), and a local lender will retain the balance. The current interest rate is 6.0 percent. Contact: RFA; 651-296-4985. <http://www.mda.state.mn.us/agfinance/improvement.html>.

### ***Livestock Expansion Loan Program***

Another RFA loan program helps finance the construction of state-of-the-art livestock and dairy facilities on existing farms. Livestock cannot be purchased with these loans, and loans must not be used to refinance existing debt. The RFA will carry up to 45 percent of the loan principal (maximum \$250,000 per loan), and a local lender will retain the balance. The current interest rate is 7.0 percent. Contact: RFA; 651-296-4985. <http://www.mda.state.mn.us/agfinance/expansion.html>.

### ***Dairy Business Planning Grant Program***

This program is aimed at encouraging dairy business planning and modernization activities. MDA can make grants of up to \$5,000 to cover 50 percent of the cost of eligible projects. The balance must come from sources other than the state. Contact: MDA; 651-215-3946. <http://www.mda.state.mn.us/dairyfood/dbgrant.pdf>.

***Value-Added Stock Loan Program***

This program helps farmers purchase shares of stock in cooperatives, limited liability companies, or limited liability partnerships that plan to operate a facility to produce or process marketable products from agricultural crops. The farmer must be a producer of the agricultural crop to be processed. The RFA will loan the farmer up to 45 percent of the cost of stock shares (not to exceed \$24,000 per loan) at an interest rate of 4.0 percent. Contact: RFA; 651-296-4985. <http://www.mda.state.mn.us/agfinance/stockloan.html>.

***Sustainable Agriculture Loan Program***

The MDA manages a program of loans to facilitate the adoption of alternative farm management practices. Loans can be made for eligible capital purchases such as rotational grazing systems, low-cost livestock housing, soil-conserving equipment, and processing equipment. These loans can be up to \$25,000 each at a fixed interest rate of 6 percent. Contact: MDA; 651-282-2261. <http://www.mda.state.mn.us/esap/esaploan.htm>.

***Sustainable Agriculture Demonstration Grant Program***

This MDA program began in 1989 and provides grants to farmers, nonprofit groups, researchers, and educators to explore ways of enhancing the sustainability of farming systems. Grants can be as large as \$25,000 each, and can extend over three years. Contact: MDA; 651-296-1277. <http://www.mda.state.mn.us/esap/default.htm#demo>.

***Value-Added Agricultural Cooperative Grant Program***

The MDA manages this program of grants to facilitate the formation and development of value-added agricultural cooperatives. The maximum grant size is \$50,000 per cooperative, and the applicant must match at least 25 percent of the project cost. Contact: MDA; 651-215-0368. <http://www.mda.state.mn.us/ams/valueadded/default.htm>.

***Organic Agriculture Cost Share Program***

The MDA provides grants to eligible applicants to partially defray the costs of inspection and recordkeeping necessary to become “certified organic” producers. Legislative funding for this program amounts to about \$35,000 per year. Contact: MDA; 651-297-8916. <http://www.mda.state.mn.us/esap/greenbook2002/2002greenbook.pdf>.

***Best Management Practices Loan Program***

This multi-agency program supervised by MDA makes zero-interest loans to local units of government. These funds are in turn provided as low-interest loans to farmers and rural landowners to implement water pollution abatement projects. Loans may not exceed \$50,000 each, and the maximum interest rate is set at 3.0 percent. Contact: MDA; 651-215-1018. <http://www.mda.state.mn.us/AgBMP/moreinfo.html>.

***Sustainable Practices Shared Savings Loan Program***

This MDA loan program uses a \$1,000,000 revolving fund to make loans to farmers to support the transition to sustainable practices. Loans can be up to \$15,000 per farmer, and the interest rate is 6.0 percent. Contact: MDA; 651-296-1277. <http://www.mda.state.mn.us/esap/esaploan.htm>.

***Wind Energy Pilot Loan Program***

This RFA program makes loans to full-time Minnesota farmers for the installation of a wind energy system. The RFA will carry up to 45 percent of the loan principal (maximum \$500,000 per loan), and a local lender will service the balance. The current interest rate is 6.0 percent on the first \$125,000 and 7.0 percent on the next \$375,000. Contact: MDA; 651-282-2261. <http://www.mda.state.mn.us/agfinance/energy.pdf>.

**For more information:** Contact legislative analyst Sam Rankin at 651-296-5047.

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