

**EXTENSION**

AGEC-2003

Loans for small-scale farms

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Introduction

Many small-scale and beginning farmers and ranchers are looking for loans to subsidize operating expenses. 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 governments, local organizations and foundations, sometimes set aside funding to help farmers invest in their businesses. Some funding sources will provide the full amount needed, while others use a cost-sharing or matching model.

The information in this fact sheet can be used for Extension professionals, agricultural professionals and end users, such as farmers and ranchers. Note that funding sources might change over time.

Key vocabulary

It is important to understand the terminology used in grant or loan writing. Each funding agency may use different terms, so familiarize yourself with the language they prefer. Below are commonly used terms you may come across:

- **Proposal:** A written plan or project description submitted by an applicant to a funding agency. Agencies will tell applicants what to include in their proposal. A proposal will typically include the purpose, goals, methods and budget of the proposed work.
- **Loan application:** A structured form or set of documents submitted by an applicant to a funding agency.
- **Matching funds (cost share):** Some grants require the applicant to contribute money, resources or in-kind support to the project. For example, a 25% match means you must provide one dollar for every four awarded.
- **In-kind contribution:** Non-cash support provided to a project, such as volunteer time, donated equipment or the use of facilities.

Grants and loans: What is the difference?

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 apply to your operation. Grants rarely pay for capital assets (such as land, machinery, equipment, breeding livestock, buildings or property improvements). Instead, they are typically used for funding workshops and other educational programming, adopting conservation practices, testing new production methods or utilizing new technology.

Loans are funds that must be repaid. 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. Some funding agencies, like the Oklahoma Department of Agriculture, Food, and Forestry (ODAFF), have thresholds that trigger grant vs. loan designation. For example, funding under \$10,000 might be administered as a grant, but funds of \$10,001 or more are considered loans and must be repaid.

Federal level loans

USDA Farm Service Agency (FSA)

Another important provider of agricultural credit is the USDA's Farm Service Agency. 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. Additional information about standard interest rates, loan terms and funding is provided.

FSA makes and guarantees loans to eligible farmers to buy and operate family-size farms and ranches. 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 operated a farm or ranch for less than 10 years.
- Does not own a farm or ranch greater than 30% 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.

FSA also offers Emergency Farm Loans to farmers and ranchers impacted by natural disasters such as drought, earthquakes, flooding, storms, wildfires and other declared disasters. These loans can be used to replace damaged property, cover production costs or cover operational expenses. The purpose is to help farmers recover quickly after a disaster.

Resource

- Farm Service Agency. (n.d.). Emergency Farm Loans.
<https://www.fsa.usda.gov/resources/programs/emergency-farm-loans>

Before applying for an FSA loan, producers can use the FSA Online Loan Assistance Tool to estimate loan payments and explore options. This tool helps you compare different loan types offered by FSA; estimate monthly payments based on loan amount, interest rate and term; and assess affordability before starting the application process.

Resource

- Farm Service Agency. (n.d.). Farm loan programs.
<https://www.fsa.usda.gov/resources/farm-loan-programs>

Agricultural and state level loans

Agricultural lenders

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 Services institutions throughout the U.S. are also a source of funds for both large and small agricultural enterprises. These borrower-owned cooperatives collectively provide over \$200 billion in loans, leases and related services to U.S. agriculture. Farm Credit oversees four funding institutions in Oklahoma: American AgCredit, CoBANK, Farm Credit of Western Oklahoma and Oklahoma AgCredit.

Resources

- Farm Credit. (n.d.). Find a Farm Credit lender near you. <https://farmcredit.com/find-a-lender/>
- Find Farm Credit. (n.d.). Frequently asked questions. <https://www.findfarmcredit.com/faq>
- Oklahoma - Farm Credit. (2025, July 10). Farm Credit Council. <https://farmcredit.com/states/oklahoma/>

State lenders

As mentioned previously, ODAFF offers both grants and loans to farm and ranch operators. ODAFF has funding thresholds that trigger grant vs. loan designation. Higher funding amounts, typically over \$10,000, will be considered a loan and must be repaid. However, the repayment is calculated at 0% interest and recipients will have multiple years to repay the loan. To learn more about grants and loans from ODAFF, visit AGECE-2004 Grants for small-scale farms.

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 at expanding educational opportunities for producers. Developing successful grant proposals requires careful thought and attention to detail.

Preparing a grant or loan proposal

To learn more about preparing a Grant or Loan proposal, please visit AGEC-9504 Grant writing basics: tips and best practices from application to submission fact sheet.



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