



FSA Loans to For-Profit Farm Cooperatives

OVERVIEW

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) makes and guarantees loans for farming and ranching operations. FSA loans may be used to start, purchase, expand and maintain operations, or to support exciting new industry trends, like urban and community farming, value-added products (transforming a product from its original state to a more valuable state), sales directly to customers, organic, and specialty crop operations.

Direct loan funds are made and serviced by FSA to eligible farmers. Guaranteed loans are made and serviced by lending institutions like banks, savings and loans, Community Development Financial Institutions, and units of the Farm Credit System, but guaranteed by FSA. Direct emergency loans also are available for farmers and ranchers to assist in recovering from natural disasters.

WHO MAY BORROW

Eligible cooperative applicants are:

- For-profit cooperatives;
- Cooperatives where members meet all general and program-specific eligibility requirements;
- Cooperatives not larger than a family farm if all members are not related by blood or marriage;
- Cooperatives where either the individual(s) holding the majority interest in the co-op or the individual(s) responsible for the day-to-day operations of the co-op can demonstrate sufficient managerial ability and;
- Cooperatives where members have an individual ownership interest in the co-op and are able to assume personal liability.

TYPES OF LOANS AND USES OF LOAN FUNDS

Farm Ownership (FO) loans may be used to purchase or enlarge a farm or ranch; purchase easements or rights of way needed for the farm's operation; erect or improve buildings; implement soil and water conservation measures; and pay closing costs. Guaranteed FO funds also may be used to refinance debt. The maximum loan amount for a direct FO loan is \$300,000; the maximum loan amount for a guaranteed FO loan is \$1,355,000 (amount adjusted annually for inflation).

Operating loans (OL) may be used to purchase livestock, poultry, farm equipment, feed, seed, fuel, fertilizer, veterinary services, chemicals, insurance, and

other operating expenses, including family subsistence. Training costs, loan closing costs and costs associated with reorganizing an operation also are authorized loan purposes. The maximum direct OL amount is \$300,000 and the guaranteed OL maximum loan amount is \$1,355,000 (amount adjusted annually for inflation).

Microloans serve the unique financial operating needs of beginning, niche and the smallest of family farm operations. Individual cooperative members may want to consider individual microloans, which have a maximum loan amount of \$35,000. The Microloan is a modified direct operating loan which offers more flexible access to credit and is an attractive loan alternative for cooperative members, such as operators of Community Supported Agriculture and other non-traditional farm operations that often face limiting financial options.

FOR MORE INFORMATION

For additional information on loans available to for-profit farming cooperatives, contact the FSA office at a local USDA Service Center. Additional information can be found at www.fsa.usda.gov.

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