Climate-Smart Agriculture and Farm Loan Programs

Climate-Smart Agriculture Overview

As farmers and ranchers confront the challenges of natural disasters and changing weather patterns, **climate-smart agriculture is becoming an increasingly important way to build resilience in their operations** in ways that benefit both producers and the environment. The main goals of climate-smart agriculture are to:

1. Increase or maintain productivity and yield,
2. Enhance resilience to environmental changes, and
3. Reduce greenhouse gas emissions.

Climate-smart agriculture does not necessarily define any new farming practices. In fact, climate-smart agriculture includes and **builds upon many practices that farmers and ranchers already use,** like cover cropping, nutrient management, and conservation tillage. Advancing conservation practices with the goal of adapting to the current weather or preventing potential impacts to the climate, is what makes them "climate-smart".

Climate-Smart Agriculture: Why it Matters

Producers across the country are confronting climate-related impacts to their operations through shifting weather patterns and increasingly frequent floods, drought, and wildfire. Weather impacts continue to present a threat to agricultural production and rural economies. America's farmers and ranchers are uniquely positioned to enhance our environment and ensure future generations continue to benefit from productive land and natural resources.

Climate-smart agricultural practices generate significant environmental benefits by **capturing and storing (sequestering) carbon, improving water management, restoring soil health,** and more.

Investments in climate-smart agriculture also benefit producers directly. Many of these practices improve resilience to changing weather, ecological disturbances, and/or natural disasters, therefore lowering risk to the producer. These investments can also reduce input use and costs of fuel, pesticides, water, and more. Additionally, some practices can increase carbon sequestration or create new market opportunities for climate-smart products.

Climate-Smart Agriculture and the Farm Service Agency

As environmental conditions change over time, FSA can empower producers to both adapt to these changes and develop solutions for mitigation. FSA offers a suite of funding opportunities and voluntary programs for farmers and ranchers to implement climate-smart solutions. Among other programs, **Farm Loan Programs (FLP) can be used to finance climate-smart agriculture practices and equipment.**

FSA loans can provide capital needed to invest in climate-smart practices and equipment including (but not limited to) the establishment of rotational grazing systems, precision agriculture equipment, or machinery for conversion to no-till residue management.

For More Information

This fact sheet is provided for informational purposes only; other details or restrictions may apply. For further information, visit **fsa.usda.gov/farmloans, farmers.gov**, or contact your local USDA Service Center. Find your local USDA Service Center at **https://www.farmers.gov/working-with-us/service-center-locator.**

Helpful Links

To learn more about climate-smart agriculture and the USDA resources available, check out the following links:

USDA Climate Hubs: Region-specific information to enable climate-informed decision-making.

Climate-Smart Agriculture and Forestry Resources: Program information, tools, and resources on climate-smart agriculture and forestry for producers.

NRCS Conservation at Work Video Series: Short video series on the benefits of conservation practices to farmers and ranchers.

Climate-Smart Practice Examples

The table below provides a set of illustrative examples on how producers could use FSA loans to finance climate-smart agriculture practices or equipment.

Note: This is not an exhaustive list of practices or equipment that could be financed with FSA loans, nor a guarantee that any loan application for these purposes would be approved.

Practice or Equipment	Sample Benefit to Producer	Sample Benefit to Environment	Potential Use of FLP
Cover Crops	• Improved soil health/resilience • Improved crop yields • Potential additional feed source for livestock • Reduced need for pesticides, and/or fertilizers	• Reduced erosion from wind and water • Increased soil health and organic matter content • Improved water quality due to utilization of excessive soil nutrients • Improved water storage and infiltration	Annual Farm Operating Loan for seed costs or Term Operating Loan for specialized equipment
Precision Agriculture Equipment	• Reduced input costs and improved yields due to accurate and optimized application of chemicals and fertilizer • Ability to expand farming operations with remote systems • Increased monitoring for quality control and compliance	• Decreased use and runoff of fertilizer and chemicals • Reduction in fuel usage • Reduction in water use	Term Farm Operating Loan to purchase equipment (e.g., GPS globes, monitors, strip till fertilizer equipment)
No/Reduced Till	• Increased resilience to extreme weather due to improved soil health and stability • Reduced fuel and labor costs due to decreased tillage • Potential cost savings on herbicides if used in conjunction with cover crops	• Increased moisture and nutrient retention in soil • Reduced wind erosion • Reduced sediment in surface waters • Reduced energy use • Food and escape cover for wildlife	Term Farm Operating Loan to purchase equipment
Livestock Facility Air Scrubber and/or Waste Treatment	• Reduced emissions of odorous compounds • Potential improved conditions for livestock, supporting health and productivity	• Reduced emissions of greenhouse gasses and particulate matter (air scrubber) • Improved water quality by better management of excess nutrients from waste (waste treatment)	Farm Ownership Loan for capital improvements
Cross Fencing for Rotational Grazing	• Improved grazing animal health and productivity • Improved pasture yield and quality • Potential new market opportunities (e.g., grass-fed beef)	• Maintained health of native grasses in pasture/range land • Reduced runoff and soil erosion due to less overgrazing • Improved soil health and manure distribution from pasture rotation • Reduced animal impacts on stream banks and water bodies	Annual or Term Farm Operating Loan to purchase fencing and/or installation equipment

Options for Accessing Capital

FSA offers multiple types of loans to help farmers and ranchers start, expand, or maintain a family agricultural operation. For more information, please see the **FSA Farm Loan Guide.** Some of these loans can be leveraged to invest in climate-smart agriculture practices or equipment:

- **Farm Operating Loan:** FSA makes and guarantees both annual and term operating loans to help purchase livestock and equipment and pay for minor real estate repairs and annual operating expenses. Direct loans are offered at a fixed interest rate in amounts up to $400,000 and terms of 1 to 7 years. FSA can also guarantee operating loans made by commercial lenders in amounts up to $2,037,000 for terms of up to 7 years. The maximum loan guarantee amount is adjusted annually by the Agency. These loans can assist with the implementation of climate-smart agriculture practices.

- **Farm Ownership Loan:** FSA makes and guarantees farm ownership loans to help purchase or enlarge family farms. Direct loans are offered at a fixed interest rates in amounts up to $600,000 and terms of up to 40 years. FSA can also guarantee farm ownership loans made by commercial lenders in amounts of up to $2,037,000 for terms of up to 40 years. The maximum loan guarantee amount is adjusted annually by the Agency. These loans can assist with larger-scale improvements to make an operation more climate-smart.

- **Microloan:** Microloans are direct farm operating loans or farm ownership loans with a shortened application process and reduced paperwork for loan amounts up to $50,000. These can be used for small-scale climate-smart investments or as a source of funding for small or beginning farmers and ranchers.

- **Emergency Loan:** Emergency Loans help farmers and ranchers recover from production and physical losses due to drought, flooding, or other natural disasters in amounts up to $500,000. The county or counties where the farm is located must be declared a disaster area by the President or designated by the Secretary of Agriculture.

- **Conservation Loan:** FSA guarantees conservation loans up to $2,037,000 to implement techniques that will conserve natural resources. The maximum loan guarantee amount is adjusted annually by the Agency. The loans are available from lenders working with FSA and funds can be used to implement conservation practices approved by the Natural Resources Conservation Service (NRCS). Many conservation practices also help producers build more climate-resilient landscapes.

- **Farm Storage Facility Loan:** FSFLs provide low-interest financing for producers to build or upgrade various storage facilities for a wide range of commodities. FSFL loan terms span 3-12 years. The maximum loan amount for storage facilities is $500,000, while storage and handling trucks can be financed up to $100,000. Visit the program **web page** for more information.

USDA offers other financial assistance through a suite of voluntary conservation programs through the FSA and Natural Resources Conservation Service (NRCS). These programs can be found in the **FSA Conservation Programs at a Glance** fact sheet.