



Capital Assistance for Local Farmers

Financial Glossary

Term	Definition
Acreage Report	Documents the crops grown on your farm or ranch and their intended uses. You must file timely acreage reports to be eligible for many USDA programs.
Assets	Anything owned of monetary value including real property, personal property, and enforceable claims against others (including bank accounts, stocks, mutual funds, etc.).
Balance Sheet	A financial statement that shows assets, liabilities, and net worth as of a specific date.
Capital	Wealth in the form of money or other assets owned by a person or organization or available or contributed for a particular purpose such as starting a company or investing.
Cash Match	A cash match is the direct project expense you or your non-federal partner provides as your contribution to the project –your cash expenditures for costs related to this specific project, such as project-related staff salaries, consultant’s fees, equipment rentals and travel costs.
Cost Share Funding	Funding opportunities that don’t cover the entire cost of a project but will either cover half or majority of it to incentivize the project to happen. Usually happens with organic certification or cover crop use.
Collateral	Collateral is an asset pledged to back your loan, which would be forfeited in the event of a default. Collateral can be any valuable asset, from your car to your house to your livestock. A common problem for beginning farmers is a lack of collateral that can be pledged to secure a loan.
Direct Loan	Direct Loans offer up to 100 percent financing and are a valuable resource to help farmers and ranchers purchase or enlarge family farms, improve and expand current operations, increase agricultural productivity, purchase livestock or equipment, recover from natural disasters, and assist with land tenure to save farmland for future generations. With a maximum loan amount of \$600,000 for Direct Farm Ownership (\$300,150 for Beginning Farmer Down Payment) and \$400,000 for Direct Farm Operating Loans, all FSA Direct Loans are financed and serviced by the Agency through local Farm Loan staff. The funding comes from Congressional appropriations as part of the USDA budget.



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Easement	An interest in land defined and delineated in a deed whereby the landowner conveys rights, title, and/or interests in a property to the grantee, but the landowner retains fee-title ownership.
Equity	The amount of financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on the mortgage.
Expense	Almost any outflow of money from a farm business can be considered an expense. One major exception is the owner's draw/dividend, which should not be considered a business expense and is not included on the income statement.
Farm Credit	Farm Credit is a nationwide network of customer-owned lending institutions, specifically for agricultural finance. Learn more and identify your local branch at their website .
Financing	The process of providing or raising funds for business activities such as making purchases.
Financial Assistance	Funds paid to an eligible program participant under an agreement entered into with NRCS.
Financial Statements	There are several of these often used by businesses of any kind; they include a balance sheet (this looks at assets and liabilities), an income statement (tracks sales and expenses), and a statement of cash flows (tracks the increases and decreases in cash for a business over a period of time).
Fiscal Sponsor	A nonprofit organization that provides financial oversight, management, and other services to help build up the capacity of an entity that doesn't have the capacity to do so. Many grants will offer for-profit businesses and other types of organizations to go through a fiscal sponsor in order to apply and receive the money. Usually grant funds applied through a fiscal sponsor go to that nonprofit organization and then are dispersed to associated farms and businesses.
Grants	A sum of money given by an organization or the government for a particular purpose. Usually it's a charitable organization or a public body in order to carry out a service for a larger benefit. Includes an application component that is competitive.



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Guaranteed Loans	FSA's Guaranteed Farm Loan Programs help family farmers and ranchers to obtain loans from USDA-approved commercial lenders at reasonable terms to buy farmland or finance agricultural production. FSA will guarantee farm loans through a commercial lender up to \$2,236,000. Financial institutions receive additional loan business as well as benefit from the safety net the FSA provides by guaranteeing farm loans up to 95 percent against possible financial loss of principal and interest.
Income Statement	Income statements cover a business's entire finances – revenues from selling products/services and operating expenses like cost of goods sold, along with non-operating income and expenses, such as income from a loan or the investment in a new facility. These sections should be separated so that the reader can understand your business's operational profitability, or gross income, versus your overall profitability, represented by net income.
In-Kind Match	In-kind match are materials and services, secretarial services, space and utilities, equipment and technical assistance provided by your organization or donated by a non-federal third party specifically for this project.
Interest	What a lender charges its borrowers for borrowing money. Interest and principal payments are bundled together in each loan payment. Interest represents a larger portion of your loan payment early on in the loan, decreasing as you make payments. In this way, you earn equity slowly at first, then quickly later in the amortization period.
Interest Rate	The amount at which a lender charges its borrowers for borrowing money. It is proportionate to the borrowed amount.
Investor	Investors are people who give you money now in return for a share of the profit in the future. They are not directly involved in business decision-making for the farm. If an investor directly participates in decision-making for the farm, they're generally a partner.
Lender	Lenders vary greatly in their experience offering farmers loans. Farm Credit and the USDA Farm Service Agency are the primary farm loan providers in the US. Other worthwhile local lenders include banks, credit unions, or community development financial institutions.
Liabilities	A person's financial obligations. Liabilities include long-term and short-term debt.
Loans	A sum of borrowed money (principal) that is generally repaid with interest.



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Microloan	An FSA Direct Loan, either Farm Ownership or Operating Loan, designed to meet the needs of small and beginning farmers, or for non-traditional and specialty operations by easing some of the requirements and offering less paperwork. The maximum loan amount for a Microloan is \$50,000.
Non-Profit Organization (501c3)	An entity established for purposes other than profit such as charitable, social, or educational causes. The 501c3 tag associated with most nonprofits is the tax-exempt clause and specifies their relationship with the IRS. Nonprofit organizations are typically granted tax-exempt status from the government and must document how they are investing their revenue to further the cause of the entity rather than solely distributing it amongst its owners.
Operating Expenses	These are expenses related to running your farm that cannot be attributed directly to production of a specific item. This is often referred to as OPEX for short, but can also be called 'overhead' or 'fixed costs'.
Operational Loan	An FSA Direct Loan, either Farm Ownership or Operating Loan, designed to meet the needs of small and beginning farmers, or for non-traditional and specialty operations by easing some of the requirements and offering less paperwork. The maximum loan amount for a Microloan is \$50,000.
Overhead Costs	These are recurring business expenses that aren't tied to producing any goods or services. These are indirect expenses that support the overall operations such as insurance, rent, utilities, and administrative costs.
Owner-Operator	One who owns the farm business and the farmland, and contributes to the management, labor, and capital to run the farm. A tenant-operator is the same, but leases the land instead of owning it.
Partnership Funding Source	When you have a partner in your business who provides funding. Usually a partnership funder isn't a loan or something you have to pay back but a partner usually gets a percentage of the profits when the business starts earning revenue.
Profit/loss Statement	Another term for an income statement. A financial document that states a business's revenues and costs over a period of time and results in a net profit and a net loss number for that period of time.
Promissory Note	A document that promises payment of a debt by a certain date. Also just called a note.



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Principal	The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.
Reimbursement	A sum of money paid to cover money that has already been spent or lost.
Schedule F Document	Also called Form 1040, this is the IRS form for reporting farm income and expenses. It is similar to an income statement, but specifically formatted for tax reporting purposes.
Schedule C Document	Profit or Loss from Business reports how much money you made or lost in a business you operated as a gig worker, freelancer, small business owner, or consultant in certain business structures. The form reports how much of the income from your business is included in your gross income or whether you have a tax loss to report to the Internal Revenue Service (IRS). Usually sole proprietorships or a single-person LLC files a Schedule C.
Technical Assistance	Guidance provided to farmers, ranchers, and forestland owners with the knowledge and tools they need to conserve, maintain, and restore the natural resources on their lands and improve the health of their operations for the future.
Technical Assistance Providers	Guidance provided to farmers, ranchers, and forestland owners with the knowledge and tools they need to conserve, maintain, and restore the natural resources on their lands and improve the health of their operations for the future.
Working Capital	Working capital is the liquid funds that a business has available to meet short-term financial obligations. The amount of working capital a business has is calculated by subtracting current liabilities from current assets. Numbers can be obtained from the farm's balance sheet.



Seeking additional resources?

Friends of Family Farmers maintains a comprehensive database of [Resources for Oregon Farmers](#).

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