



United States Department of Agriculture

APR 27 2012

Office of the Secretary
Washington, D.C. 20250

Ms. Traci Bruckner
Chair
Advisory Committee on
Beginning Farmers and Ranchers
145 Main Street
Lyons, Nebraska 68038

Dear Ms. Bruckner and Members of the Advisory Committee:

Thank you for your letter and the recommendations developed by the Advisory Committee on Beginning Farmers and Ranchers. The new Director of the U.S. Department of Agriculture's (USDA) Office of Advocacy and Outreach (OAO), with whom you met recently, is implementing a plan to address many of your recommendations.

New farmers and ranchers are vital to the health of rural communities and to long-term food security. USDA will play a vital role, but we will succeed only if our efforts align with the efforts of industry, the non-profit sector, educational institutions, and state and local governments.

With the enhanced authorities of the 2008 Farm Bill (The Food, Conservation, and Energy Act of 2008), including OAO, we are already providing more services than ever to new and beginning farmers and ranchers. In fact, in the past 2 years, more than 40 percent of all USDA's farm loans have gone to beginning farmers and ranchers. The Farm Service Agency (FSA) has extended about \$3.2 billion in credit to these farmers and ranchers—about one third of our total loan amount. Nearly half of Direct Operating Loans in President Obama's American Recovery and Reinvestment Act went to beginning farmers and ranchers. FSA's Transition Incentives Program has already protected over 250,000 acres of land expiring from the Conservation Reserve Program by incentivizing sales or leases to beginning or socially disadvantaged farmers and ranchers who will use conservation practices on the land. However, there is still much more to be done, and to that end, your recommendations are very helpful. We will again call on the Advisory Committee to help us as we seek public input and look forward to a new National Strategic Framework for Beginning Farmers and Ranchers and the associated USDA Action Plan.

Again, thank you for writing. OAO is looking forward to working with you and will be reaching out shortly to begin planning a summer Advisory Committee meeting, which I hope to attend. Together, we will be able to realize the goal of increasing the number of new farmers and ranchers. Our detailed responses to your recommendations are attached.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Vilsack", written in a cursive style.

Thomas J. Vilsack
Secretary

Enclosure

Enclosure

Below are your original recommendations. Our responses are in bold:

The Office of Advocacy and Outreach

- 1) The Office of Advocacy and Outreach is critical to providing the overall structure in which to achieve the Department's goals of creating a 100,000 new farmers and ranchers each year. Therefore, we recommend the Secretary support continued funding for the Office of Advocacy and Outreach and empower the office to work across all USDA agencies, requesting that each develop an action plan addressing how they will work—individually and collectively—with beginning farmers and ranchers.

The Office of Advocacy and Outreach is critical to coordinating the beginning farmer and rancher strategy across all USDA agencies. Many of your recommendations will be incorporated into the process of gathering data and evidence from across the USDA to develop a strategic framework and an action plan.

- 2) We strongly urge the Secretary to work with the Office of Advocacy and Outreach to designate a beginning farmer and rancher specialist in each state to work across all USDA agencies to improve outreach and technical assistance to beginning farmers and ranchers. These beginning farmer and rancher specialists would be charged with (a) setting measurable goals and outcomes for their state to increase outreach and access to USDA programs by beginning farmers and ranchers, and (b) helping to ensure that beginning farmers and ranchers are able to continue discrimination-free in their farm and ranch enterprise.

This recommendation will be addressed in the context of the agency-level strategic plans, which are discussed in more detail below. We are strengthening our service structure to improve our performance. Your suggestions are already under active consideration as a strategy for improving our performance in the field.

Farm Service Agency Loan Programs

- 3) As USDA begins to compile their budget requests for Fiscal Year 2013, we urge the Secretary to include full funding for the Beginning Farmer and Rancher Individual Development Account program.

Since fiscal year 2010, USDA's operating budget has been cut by about \$3 billion or 12 percent. Constrained funding levels will most likely be continued for some time, forcing us to maximize the limited resources that are available to deliver existing programs. However, we believe the Beginning Farmer and Rancher Individual Development Program has promise and have, therefore, requested \$2.5 million in the President's FY 2013 budget. Farm Service Agency (FSA) staff is working to develop the Notice of Funds Availability (NOFA) so the program can be implemented should Congress approve the 2013 budget as submitted.

- 4) We urge the Secretary to use average size farm in lieu of median size farm in determining eligibility for beginning farmer loans and opportunities. Further, we request that these calculations should be standardized between the FSA loan program and the NASS Ag Census.

Section 343(a)(11)(F) of the Consolidated Farm and Rural Development Act defines “qualified beginning farmer or rancher”, as one “who does not own land or who, directly or through interests in family farm corporations, owns land , the aggregate acreage of which does not exceed 30 percent of the median acreage of the farms or ranches, as the case may be, in the county in which the farm or ranch operations or the applicant are located, as reported in the most recent census of agriculture” This requirement is prescribed in statute for benefits under the Act, and any changes would require legislative action. Modifying this language will be considered during the 2012 Farm Bill discussion, and USDA has presented information demonstrating the impact that this legislative language has upon beginning farmers attempting to obtain farm loans.

- 5) We strongly urge the Secretary to support and promote legislative changes in the 2012 Farm Bill that would permanently fund the FSA loan programs by treating them as a revolving loan fund. This would help meet the growing demand for beginning farmer and rancher loans. The appropriations process has become slow and stymied, which has resulted in lost opportunities for beginning farmers and ranchers when state loan funds are exhausted. This strategy would allow these funds to be re-banked into the loan programs rather than being returned to the treasury, and as a result would foster many more timely opportunities for beginning farmers and ranchers.

One issue we have consistently heard from beginning farmers is waiting for credit when appropriated funds are spent. The majority of FSA loan applications are received between the months of December and February but under continuing resolutions only a straight percentage of the funds are received. In years of multiple continuing resolutions, FSA does not receive sufficient loan funds to cover all of the approved applications, causing farmers and ranchers to wait for funding - sometimes even up to planting time. FSA loan officers work with customers to obtain other temporary sources of credit when possible. In addition FSA maximizes the authority provided by Congress to adjust funding levels between programs to mitigate the backlog of approved applications. Any change to the way funds are provided for the FSA lending programs would require legislative action.

USDA will not submit a formal proposal to Congress for the upcoming Farm Bill, however, USDA staff is actively working to help Congress write a Farm Bill that addresses the needs of rural communities. As the process continues to develop, USDA will continue to provide information that demonstrates the needs of our beginning farmers and ranchers.

- 6) We strongly urge the Secretary to count the time beginning farmers and ranchers have invested in mentorship programs, internships, apprenticeships, and as a farm worker toward the three year experience requirement for obtaining beginning farmer and rancher loans through FSA.

We are pleased to say that on February 23, 2012, FSA issued revisions to Handbook 3-FLP instructing FSA employees of revisions on the ways applicants can demonstrate farming and managerial experience. Farm loan applicants can now demonstrate that they have the needed experience through education, on the job training, actual farming experience or any combination of the three including time spend in mentorship, internship, and apprenticeship

programs. For farm ownership loans, applicants have to meet the requirement for having participated in the business operations of a farm for at least 3 years. Time spent in mentorship, internship, and apprenticeship programs focusing on business operations can now be used to meet this requirement.

- 7) We urge the Secretary to support, continually evaluate and enhance the business and financial management training requirements for beginning farmers and ranchers obtaining FSA loans.

We agree that the borrower training component of the FSA loan program is key to the success of beginning farmers and ranchers. Organizations that become vendors for borrower training work closely with FSA staff to make sure the proposed curriculum meets the needs of beginning farmers. Currently, there are over 150 vendors across the United States that are approved as borrower trainers. The borrower training program allows loan officers to work closely with borrowers and applicants to identify areas where additional training would be beneficial to the borrower/applicant. USDA continually evaluates programs to improve service to the public.

- 8) Access to capital and participation in FSA loan programs by socially disadvantaged, limited resource, new and beginning farmers and ranchers remains low in some states because of FSA's stringent loan eligibility standards and requirements for credit worthiness. USDA standards for all loans should necessarily be less stringent in relation to those of commercial lenders. We strongly urge the Secretary to commission a review of the eligibility standards for the FSA loan program in relation to those of commercial lenders to ensure and promote increased program participation by the aforementioned target groups. In addition, we strongly urge the Secretary to consider less reliance on credit history, and more reliance on business planning and managerial ability to qualify for FSA Loans.

The basic eligibility requirements for FSA loans are prescribed in statute. However, whenever possible, FSA has interpreted the requirements as broadly as possible to reach as many socially disadvantaged and beginning farmers as possible. For example, if an applicant for an FSA loan shows a weak repayment capacity or does not own sufficient collateral to secure the loan, credit officials may work with the customer to consolidate or restructure debts to improve repayment capacity or see if additional collateral is available for security. The credit standards for FSA direct loans are substantially lower than the standards of commercial lenders. In FY 2011, FSA made 18,300 loans to beginning and socially disadvantaged farmers.

- 9) We encourage the Secretary to support legislative changes to the Youth Loan Program in the 2012 Farm Bill that would make loans available in every locale, not just in rural communities.

Youth Loans are available to applicants who reside in rural areas and towns with populations less than 50,000. The statute limits youth loans to applicants living in rural areas. Changes to the "rural" requirement would require a statutory change.

Research, Extension, Education and Outreach Programs

- 10) The Beginning Farmer and Rancher Development Program (BFRDP) is having tremendous impact on the training and support of new farmers and ranchers nationwide by supporting community-based organizations and agencies that work directly with beginning farmers and ranchers. To

sustain and expand this progress towards 100,000 new farmers/ranchers each year, we strongly urge the Secretary to:

- a. Continue to support full funding for the BFRDP. We also encourage the Secretary to support the reauthorization, growth and expansion of this program in the 2012 Farm Bill.

We appreciate your continued support for this program. As you know, Congress is responsible for the Farm Bill.

- b. We also encourage an appropriate evaluation of the program's impact or effectiveness be conducted, including on-site audits of grant recipients to ensure that BFRDP funds are being utilized in line with the application approved and ensure that clients are receiving the training as proposed in the grant application.

The National Institute of Food and Agriculture utilizes several approaches for the post-award management of BFRDP projects. The primary purpose of the annual BFRDP Project Director meeting is to evaluate outcomes of funded projects and share best practices through oral and/or poster presentations by each grantee. In addition, grantees are required to submit annual reports, adhere to the plans submitted with the application, and submit any curriculum documents to Start2Farm.gov.

- c. Give strong consideration to grant proposals under BFRDP for establishing a mentoring program/training center/workforce development center that utilize technical schools and community organizations to provide beginning farmers and ranchers a course curriculum to assist with development of financial and other skills needed to successfully get started in agriculture, as well as help established and retiring farmers learn skills necessary to assist beginning farmers and ranchers.

We will consider this recommendation when developing requests for applications and in the annual evaluations in future years.

- d. Support legislation in the 2012 Farm Bill that would eliminate the match requirement for the Beginning Farmer and Rancher Development Program. This match imposes undue hardship on potential applicants.

We appreciate your continued support for program improvements.

- 11) There are many socially disadvantaged beginning farmers and ranchers whose needs also can be served through the Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers Program (Section 2501). Therefore, we urge the Secretary to:

- a. Support the full \$25 million funding for the Section 2501 Program.

We appreciate your continued support for this program.

- b. Conduct appropriate evaluation of the program's impact or effectiveness, including on-site audits of grant recipients to ensure that 2501 funds are being utilized in accord with the approved proposal and ensure that clients are receiving the training and benefits as proposed in the grant application.

We are working to fully implement a program of oversight and evaluation in accordance with best management practices and the requirements of the legislation. In addition, we are working with grant recipients to ensure reporting requirements are met.

- c. Authorize the Office of Advocacy and Outreach (OAO) to (a) discourage multiple requests for funding from a single organization for the Section 2501 Program; and (b) verify the applicant's capacity and demonstrated experience in providing outreach and technical assistance to socially disadvantaged farmers and ranchers has been determined for both the applicant organization and project personnel prior to reviewing any request for funding.

We appreciate your suggestions and will consider them as we prepare for the next funding cycle.

General Recommendations

- 12) We strongly encourage the Secretary to deploy a new Strikeforce-type initiative, applying it to beginning farmer and rancher issues in areas affected by both depopulation and poverty.

We appreciate your support for the StrikeForce Initiative and will consider your comments as we move forward.

- 13) We urge the Secretary to investigate strategies and devise a plan to deliver services to groups of beginning and socially disadvantaged farmers and ranchers to increase their participation and qualification for all USDA programs, including loans and crop insurance.

OAO is working across agencies to assess individual outreach plans and compile a USDA plan with performance goals and measures.

- 14) We urge the Secretary to conduct an all agency review for possible barriers for beginning farmers and ranchers seeking to participate in programs that currently require a 3-5 year production history and find policy option solutions to address any such barriers. Beginners seeking to get started in agriculture need many different resources to support those efforts. While there are federal programs to assist them in that endeavor, there are barriers to those who do not have 3-5 years production history and therefore, limits their opportunities to access the support they need to get started in agriculture.

We are continuously strengthening our service structure to improve our performance. Your suggestion is already under active consideration as a strategy for improving our performance in the field.

- 15) We urge the Secretary conduct a full evaluation and status update of the beginning farmer and rancher provisions from the 2008 Farm Bill. This evaluation should be conducted prior to the fall of 2011 to inform program implementation and beginning farmer policy development for the 2012 Farm Bill.
 - a. There are concerns relating to the effective and uniform implementation of provisions and programs designed to serve beginning farmers and ranchers. For example, there is a 30 percent advance payment for beginning farmers and ranchers under the Environmental Quality

Incentives Program (EQIP) that has seen sporadic implementation, where some states are not informing beginners this is available. We request the National Natural Resources Conservation Service office ensure that all states implement this provision evenly, and provide the committee a report regarding the use of this advanced payment provision for beginners. Another example can be found in the EQIP Organic Initiative, with some states doing limited if any outreach to assist beginning farmers interested in transitioning to or starting in organic production.

All USDA field staff will have the tools and training they need to ensure that our customers receive great service. We are nearing completion in developing a new set of training and communication materials that will be deployed to the field through our existing infrastructure. In addition, the agency-specific outreach plans will also address performance management.

Tax Policy

- 16) We urge the Secretary to support initiatives to amend the Internal Revenue Code to create federal income tax incentives for those transitioning ownership and or leasing farmland to beginning farmers and ranchers.

We are in agreement that tax policy is a critical tool for beginning farmers and ranchers. In addition to looking for new opportunities within the tax code, we are also working to improve the resources to help beginning farmers and ranchers understand the tax system. We have already funded a number of innovative small farm tax projects through the Risk Management Agency and continue to fund tax education through the Land Grant system. In particular, there is a current grant to the Land Grant Tax Education Foundation to develop “ruraltax.org” as a place where agricultural and rural business tax information is presented in plain language. Also, the OAO has created a graphic “Farmers’ Tax Literacy” brochure that will help new and beginning farmers to get off on the right foot.