

BEGINNING FARMER AND RANCHER OPPORTUNITY ACT OF 2011

Background

Agriculture is a growing and vibrant sector of our nation's economy, yet farming and ranching as a career choice may be one of the most difficult occupations to enter. Limited access to land and markets, hyper land price inflation, high input costs, and a lack of sufficient support networks are just a few barriers new agriculture entrepreneurs face.

Despite these hurdles, dedicated people want to farm or ranch and see great opportunities in agriculture. Community organizations and institutions are seeing a wave of interest all over the country. Relatively good crop prices, a burgeoning local food movement, thriving alternative livestock production systems and markets, and the growth in organics are just a few national trends that have engaged more and more individuals and families interested in farming or ranching.

We need a national strategy and commitment to support beginning farmer and ranchers entering agriculture. With an aging farm population and large segment of baby boomers in this economic sector considering retirement in the near future, now is the time to nurture new agriculture start-ups.

New farmer and rancher policy is a jobs creator – a sound investment that can provide long-term societal benefits. It is the people in agriculture that produce the food and fiber of our nation, protect and enhance our natural resources, and contribute to the revitalization of our rural and urban communities.

New farmers and ranchers are much more diverse than previous generations. In addition to young people from farm families who are hoping to follow in their parents' footsteps, there are also new producers from non-farming backgrounds and recent immigrant families that hope to begin farming in this country. The unique needs of an increasingly diversified farmer base can and should be addressed by a national beginning farmer and rancher investment strategy.

Beginning with the 1990 Farm Bill, Congress created programs for beginning farmers and ranchers, particularly in the area of farm credit. The 2008 Farm Bill went even further by augmenting existing provisions and creating several new initiatives and incentives for beginning farmers and ranchers.

Yet, those starting or hoping to start farming or ranching continue to face distinctive challenges as agriculture changes and evolves. They also continue to face barriers in accessing federal programs designed to assist them with getting started. If we want to encourage a new generation to pursue a career in agriculture, we must design public policy that responds to the unique needs of beginning farmers and ranchers.

With the 2012 Farm Bill, Congress has an opportunity to expand and improve a comprehensive beginning farmer and rancher initiative that breaks down barriers to entry and gives real support to ensure the effective start-up and success of new small and mid-scale producers across the country. The Beginning Farmer and Rancher Opportunity Act of 2011 pulls together the best ideas from around the country for advancing new farming opportunities. It draws on progress made in previous farm bills but picks up the pace of reform. The provisions of this bill should be incorporated in the new farm bill to ensure the next generation of farmers that will feed our nation are able to thrive and prosper.

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– Overview of Proposed Provisions by Farm Bill Title –

Preliminary Notes:

- Short summaries of all of the provisions in the BFR Opportunity Act of 2011 are listed below in order of current farm bill titles.
- Most of the provisions are amendments to existing provisions though some are brand new. Each item is therefore marked as either “*Revise*” or “*New*”.
- Some of the provisions entail farm bill direct (mandatory) funding. Those items are marked with “§§”.

Summary of Provisions:

FARM BILL TITLE II – CONSERVATION

Revise – §§ – **CRP Transition Incentive Program (CRP-TIP):** Started by the 2008 Farm Bill, the Conservation Reserve Program – Transition Incentives Program (CRP-TIP) provides incentives for retired or retiring farmers to rent or lease land expiring from CRP contracts to beginning or socially disadvantaged farmers who commit to conservation farming systems. This provision continues CRP-TIP through 2017, strengthens the conservation language, creates a comprehensive conservation plan option, creates an easement option through the Grassland Reserve Program or the Farm and Ranch Land Protection Program, and allows transition between family members who meet the eligibility criteria but only in the case of land sales to the younger generation.

Revise – **Farm and Ranch Land Protection Program (FRPP):** The FRPP is an easement program to keep agricultural land in agriculture. This provision amends the FRPP to make preserving farm viability for future generations a part of the purpose of the program. It also provides the eligible entities that implement the program at the state and local level the discretionary authority to give priority to easements with an option to purchase at the agricultural use value, to deals that transfer the land to beginning and farmers and ranchers, to applicants with detailed farm succession plans, and other similar mechanisms to maintain the affordability of protected farm and ranch land, keep it as working land, and foster new farming opportunities.

Revise – **EQIP Cost Share Advance Payment Option:** The bill assumes continuation of the existing cost share differential for beginning, limited resource, and socially disadvantaged producers within the Environmental Quality Incentives Program (EQIP) -- up to, but not greater than, 90 percent of the costs associated with employing a conservation practice, and not less than 25 percent above the otherwise applicable rate which general applicants receive. The bill also reaffirms the advance payment option allowing beginning and socially disadvantaged producers to receive an advance payment for the project’s costs for purchasing materials or contracting services, but increases the limit on the advance payment from 30 percent to 50 percent of costs.

Revise – **EQIP Conservation Innovation Grants:** Conservation Innovation Grants are cooperative projects that stimulate the development and adoption of innovative conservation approaches. This

provision includes BFRs and socially disadvantaged farmers and ranchers as a potential focus of CIG projects.

*Revise – **EQIP and CSP Funding Set-Aside:*** The 2008 Farm Bill provided for a 5 percent reservation of funds for beginning farmers within EQIP and the Conservation Stewardship Program (CSP). The actual rate of beginning farmer and rancher participation in the programs since 2008 has been considerably higher. This provision increases the reservation to 10 percent of total funds allocated for EQIP and 10 percent of total acres allocated for CSP for beginning farmers and ranchers, and provides an equal set-aside for socially disadvantaged farmers. The provision also gives USDA authority to increase the rate at which technical assistance is provided when assisting beginning and socially disadvantaged farmers and ranchers.

*Revise – **Whole Farm Conservation Planning:*** The conservation title of the 2002 Farm Bill in Section 2004 authorized the Secretary of Agriculture to provide special incentives to beginning farmers and ranchers and limited resource producers to participate in federal agricultural conservation programs. This provision would strengthen this section of the farm bill to include a specific authorization for NRCS to provide these farmers and ranchers with technical and financial assistance through EQIP, CSP, or other programs to develop whole farm resource management system plans.

FARM BILL TITLE V – CREDIT

*Revise – **Direct Farm Ownership Experience Requirement:*** For all FSA loans, applicants must have sufficient education, training, and experience to qualify. For direct farm ownership (DFO) loans, an additional requirement applies – the applicant must have participated in the business operation of a farm for at least three years, thereby narrowing their ten-year eligibility as beginning farmers to seven years. This provision reduces the DFO loan experience requirement to two years, thereby extending eligibility as a beginning farmer from 7 years to 8 years.

*Revise – **Conservation Loans:*** Direct and guaranteed conservation loans were authorized in the 2008 Farm Bill, including a priority for beginning and socially disadvantaged farmers and ranchers. This provision would reauthorize the program, delete the current provision that waives the normal FSA family farm eligibility test, raises the guarantee amount to 95 percent for beginning and socially disadvantaged farmers and ranchers (consistent with other FSA programs), creates a 50 percent target participation rate for BFR similar to the targets for all the other FSA loan programs, and creates an authorization for appropriations with half designated for direct loans and half for guaranteed loans.

*Revise – **Down Payment Loan Program:*** The Down Payment Loan Program is a participation loan for beginning and socially disadvantaged farmers and ranchers in which the borrower provides a 5 percent down payment and FSA provides 45 percent of total loan to beginning farmers and ranchers. This provision retains the existing \$300,000 loan limitations for direct farm ownership loans and direct farm operating loans, but increases the limit on the size of the land value that can be FSA-financed under the Down Payment program from \$500,000 to \$667,000 to help BFRs afford to purchase land in areas with high real estate values. The FSA portion of Down Payment loans would thus be capped at \$300,000 like all other FSA direct ownership loans.

New – **Young Beginning Farmer and Rancher Microloan Program**: Currently no intermediate program option exists targeting the needs of young farmers after they no longer qualify for FSA Youth Loans after age 18. To serve first career beginning farmers and ranchers, and patterned in part on FSA Youth Loans, this provision would create a new simplified loan category within Direct Operating Loans to provide flexible capital through operating microloans for new producers, with the following terms:

- principal balance may not exceed \$35,000;
- eligible beginning farmers and ranchers would be 19-35 years of age;
- loan repayment would be required in not less than 1 and not more than 7 years;
- interest rate would be set at the limited resource loan level; and
- require completion of the borrower training program, a BFRDP-funded training program, or an equivalent as determined by FSA.

Revise – **Individual Development Accounts Pilot Program**: Passed in the 2008 Farm Bill but not appropriated to date, despite USDA funding requests, this program supports the establishment of matched savings accounts for beginning and socially disadvantaged producers, the proceeds of which may be used on capital expenditures for a farm or ranch operation, including purchases of land, buildings, equipment, or livestock. Administered through the Farm Service Agency, the program would include at least 15 state pilot programs and be subject to an annual and 5-year evaluation. This provision would reauthorize the pilot exactly as written in the 2008 Farm Bill, but provide it with the necessary \$5 million per year in mandatory funding.

Revise – **Term Limits and Graduation to Commercial Credit**: Under current law, direct and guaranteed loan borrowers have a short, fixed number of cumulative years in which they are eligible for loans. Congress has regularly waived the term limits for guaranteed loans for a few years at a time, while direct loan term limits remain in full force and are affecting thousands of borrowers. This provision would leave the existing graduation provisions and term limits in place but change the term limits from cumulative to consecutive years. This will encourage graduation and remove the need for further waivers.

Revise – **Definition of Qualified Beginning Farmer or Rancher**: The current definition of a “qualified beginning farmer or rancher” is based on a limitation on the amount of land already owned by the farmer that is based in turn on the median farm size in a given county, among other factors. However, the National Agricultural Statistics Service (NASS) has not historically collected this data, requiring FSA to substitute the average farm size in order to determine loan eligibility as a qualified BFR. Although NASS has recently started to publish median farm size statistics, the average farm size is actually the more useful and appropriate measure. This provision modifies the definition of a “qualified beginning farmer and rancher” who is eligible to receive FSA loans so that the average, not median, farm size is used to determine eligibility.

Revise – **Funding Authorization Levels**: The 2008 Farm Bill increased the authorization for appropriations for program levels for direct farm operating loans to \$850 million and for direct farm ownership loans to \$350 million. The actual appropriations for these programs, however, have been considerably higher. This provision raises the authorized levels to the more realistic levels of \$1.25 billion (Direct Farm Operating Loans), \$750 million (Direct Farm Ownership Loans), and \$1.5 billion (Guaranteed Farm Ownership).

Revise – **Loan Reserve Fund and Priority for Participation Loans:** Direct and guaranteed ownership and operating loans all have existing statutory loan fund set-aside or target participation percentages for beginning farmers and ranchers. This provision would leave all of those in place and extend the current direct operating loan reserve rate beyond 2012. In order to serve the maximum number of borrowers for a given amount of appropriations and to encourage partnerships with private lenders, this provision also establishes a policy that within the direct farm ownership loan portfolio, priority is given for the down payment program or the 50/50 joint financing participation loan program and these options must be considered first. The more traditional 40-year, 100 percent government financed loans should still be allowed, but only in cases in which FSA determines that participation loans are not a viable option for a particular producer.

Revise – **Borrower Training Program:** The borrower training program provides financial training to FSA borrowers, including beginning farmers and ranchers. This provision instructs USDA to coordinate the FSA borrower training program with the Beginning Farmer and Rancher Development Program (BFRDP) administered by NIFA to ensure that financial management training programs funded by BFRDP are able to meet the borrower training requirements.

Special Note: There are several programs from previous farm bills that should be continued, but which are not in need of any statutory changes and therefore not included in the Beginning Farmer and Rancher Opportunity Act of 2011. These include:

- **Contract Land Sales Program for Beginning and Socially Disadvantaged Farmer and Rancher:** This program provides federal loan guarantees to retiring farmers who self-finance the sale of their land to beginning or socially disadvantaged farmers. The program is designed to encourage private land contract sales by providing a degree of protection to a retiring farmer whose retirement savings is often in land and the farm.
- **Direct and Guaranteed Loan Fund Set-Asides and Inventory Land Sales Preferences:** Existing statutory provisions target a percentage of direct and guaranteed farm ownership and operating loan funds to beginning farmer and ranchers and also create an inventory land sales preference for beginning farmers and ranchers. All of these target participation rates should continue at their current levels and with their current timing provisions.

FARM BILL TITLE VI – RURAL DEVELOPMENT

Revise – §§ – **Value-Added Producer Grants:** The 2008 Farm Bill created a priority within the Value-Added Producer Grant Program (VAPG) for projects benefiting beginning and socially disadvantaged farmers and ranchers as well as a set-aside of program funding. Those provisions should be continued but clarified in light of an impractical USDA interim rule for the program. In its proposed rule, USDA decided that farm coops or businesses participating in VAPG needed to be 100 percent made up of beginning farmers in order to qualify for the priority and the set-aside. In the interim rule, USDA revised the requirement to 51 percent in one place but left it at 100 percent

in another place. This provision clarifies that VAPG projects involving farm coops or other entities in which more than a quarter of the beneficiaries are beginning farmers shall qualify as meeting the priority and for the set-aside. The provision also renews farm bill funding for the program at \$30 million a year.

New – **Rural Development Authority for New Entrepreneurial Farm Enterprises:** The growth of entrepreneurial agriculture and new higher value local and direct markets hold great appeal among young and beginning farmers. Increasing support for farm and farm-related business start-ups can be an important rural development strategy. This provision creates a new general authority to allow USDA to use Rural Development grant and loan programs to foster new entrepreneurial employment opportunities for BFRs, consistent with the purposes of each individual underlying program and excluding annual agricultural production purposes.

FARM BILL TITLE VII – RESEARCH, EDUCATION AND EXTENSION

Revise – §§ – **Beginning Farmer and Rancher Development Program:** The Beginning Farmer and Rancher Development Program is USDA’s flagship beginning farmer program. It provides competitive grants to a wide range of training and education programs. This provision reauthorizes BFRDP increases its mandatory funding from \$75 million during the last farm bill cycle to \$125 million over the next 5 years, includes a new grant priority for agricultural rehabilitation and vocational training programs for military veterans, and provides a voluntary option for a 10 percent indirect cost option in lieu of a higher negotiated rate to help facilitate participation by community-based organizations.

New – **Beginning Farmer and Rancher AFRI Research Priority:** The Agriculture and Food Research Initiative is the largest of USDA’s competitive research and extension programs. This provision authorizes research, education, and extension, projects related to beginning farmers and ranchers, socially disadvantaged and immigrant farmers, farm transition, farm transfer, farm entry, new marketing and farm viability alternatives, and related issues. In addition, the provision clarifies that all persons and entities defined in statute as eligible for AFRI awards are eligible for integrated AFRI projects that combine research, education, and extension components. This is important for all AFRI integrated projects and especially for applied program areas such as beginning farmers.

FARM BILL TITLE XII – CROP INSURANCE

Revise – **Beginning Farmer and Rancher Revenue Insurance Eligibility:** The 2008 Farm Bill directed RMA to contract for a study to analyze barriers for beginning farmer participation in the Adjusted Gross Revenue (AGR) and AGR-Lite revenue insurance policies and to recommend ways to overcome those barriers. The report is in process. This provision expresses the sense of Congress language that RMA make whatever regulatory or operational changes that are necessary to provide beginning farmers and ranchers with full, unhindered access to these programs and related revenue insurance products.

Revise – §§ – **Risk Management Partnership Programs:** The Risk Management Agency’s partnership grant programs provide competitive awards for projects to inform farmers about insurance products and broader risk management topics. The funding for the RMA partnership

programs is part of a broader mandatory funding line item from the 2000 ARPA legislation as revised by the 2008 Farm Bill. This provision increases partnership program funding from \$7.5 to \$10 million and within the partnership programs add a strong emphasis on beginning and socially disadvantaged farmers and ranchers.

Special Note: The **Risk Management Education Program** should be continued, but is not in need of any statutory changes. The 2008 Farm Bill placed a special emphasis on risk management strategies and education and outreach specifically targeted at beginning farmers and ranchers, immigrant farmers and ranchers who are attempting to become established producers in this country, farmers and ranchers who are preparing to retire and are using transition strategies to help new farmers and ranchers get started, and new and established farmers and ranchers who are converting their production and marketing systems to pursue new markets.

FARM BILL TITLE XIV – MISCELLANEOUS

New – **Small and Beginning Farmer and Rancher Coordinators:** This provision designates a small and beginning farmer coordinator at the state office for FSA, RMA, RD, and NRCS who would coordinate technical assistance and develop statewide plans to help beginning farmers gain access to USDA programs. The BFR coordinator will be knowledgeable across agency lines -- so regardless of whether they are FSA, RMA, NRCS, or RD employees, they would be informed about what was available to BFRs from USDA as a whole – and work in coordination with existing state-level agency socially disadvantaged farmer and rancher outreach coordinators. The Office of Advocacy and Outreach at USDA will coordinate this new initiative.

New – **Military Veterans Agricultural Liaison:** This provision establishes a Veterans Agricultural Liaison Position within USDA’s Office of Advocacy and Outreach, and charged with –

- facilitating the process of educating returning veterans about and connecting them with beginning farmer training and/or agricultural vocational and rehabilitation programs appropriate to their needs and interests, including assisting veterans in using veterans educational benefits for purposes related to beginning a career in farming;
- helping all veterans to understand availability and eligibility requirements for participation in farm bill programs with particular emphasis on beginning farmer and rancher programs;
- serving as a resource for assisting veteran farmers/potential farmers in applying for participation in farm bill programs; and
- advocating on their behalf in interactions with agency staff.