

Federal Programs for Young, New & Beginning Farmers

Training

Beginning Farmer and Rancher Development Program (BFRDP).

The BFRDP grant program provides millions of dollars of funding to community based organizations and universities for young farmer mentoring, training and the linking of young farmer resources. <http://www.nifa.usda.gov/fo/beginningfarmerandrancher.cfm>

Appropriate Transfer of Technology to Rural Areas (ATTRA).

The National Sustainable Agriculture Information Service - ATTRA - was developed and is managed by the National Center for Appropriate Technology (NCAT). The project is funded through a cooperative agreement with the United States Department of Agriculture's Rural Business-Cooperative Service.

Cost Sharing

Value Added Producer Grant Program. This is a competitive grant program to help farmers and ranchers develop high-value niche markets. The program includes a 5% set-aside for proposals from beginning farmers and ranchers. <http://www.cfra.org/node/2672>

Environmental Quality Incentives Program (EQIP).

EQIP was originally established under the Federal Agricultural Improvement and Reform Act of 1996 and provides incentives and technical help for conservation structures and management practices. EQIP pays a portion of the costs for structural and vegetative practices, and most contracts are eligible for cost share payments up to 75 percent of the costs of conservation structures. Beginning farmers are eligible for cost-share rates 25 percent higher than the otherwise applicable rate, up to 90 percent. Five percent of available funds are set aside of beginning farmers or ranchers and the provision calls for a 30% advanced payment for beginning farmers.

Farm Acquisition

Conservation Reserve Program Transition Incentives Program.

Offers two years of extra CRP rental payments for owners of Conservation Reserve Program (CRP) land who rent or sell that land to a beginning farmer or rancher to return it to production through sustainable grazing practices or resource-conserving crop rotation systems, and/or certified organic production. <http://www.cfra.org/node/2705>

Conservation

Conservation Stewardship Program (CSP). Established by the 1985 Food Security Act, the CSP seeks to provide environmental benefits by encouraging the planting of long-term, resource-conserving covers, such as trees or native grasses, on marginal and environmentally sensitive retired agricultural land. In exchange, producers receive an annual rental payment over the term of a 10- or 15-year contract, as well as cost-share payments to offset part of the cost of installing conservation measures. Five percent of available Conservation Stewardship Program (CSP) acres are set aside to assist beginning farmers or ranchers.

Questions?

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Loans to buy or operate a farm

The Farm Service Agency (FSA) provides direct and guaranteed loans to beginning farmers and ranchers who are unable to obtain financing from commercial credit sources. Each fiscal year, the Agency targets a portion of its direct and guaranteed farm ownership (FO) and operating loan (OL) funds to beginning farmers and ranchers.

A beginning farmer or rancher is an individual or entity who (1) has not operated a farm or ranch for more than 10 years; (2) meets the loan eligibility requirements of the program to which he/she is applying; (3) substantially participates in the operation; and, (4) for FO loan purposes, does not own a farm greater than 30 percent of the median size farm in the county. (Note: all applicants for direct FO loans must have participated in business operation of a farm for at least 3 years.) If the applicant is an entity, all members must be related by blood or marriage, and all stockholders in a corporation must be eligible beginning farmers.

CONTRACT LOAN GUARANTEES. This program guarantees loans made by retiring farmers to beginning farmers. The program offers two types of guarantees: 1) a "prompt payment" guarantee or 2) a 90% principal loan value guarantee. The guarantee will be in effect for 10 years. For either option, the loan guarantee stays in effect for 10 years. The purchase price or appraisal value of the farm or ranch that is the subject of the contract sale cannot be greater than \$500,000. The buyer of the farm and ranch must contribute at least 5 percent as the down payment for the land. This program was included as a pilot in the 2002 Farm Bill and mandatory funding was included in the 2008 Farm Bill.

DIRECT LOANS FROM FSA. FSA makes loans directly to individuals that have been unable to obtain credit, but have an acceptable credit history. Program eligibility criteria for a direct loan from FSA include: sufficient education, training, and experience in managing or operating a farm. For all direct farm ownership loans, an applicant must have participated in the operation of a farm or ranch for at least 3 years out of the past 10 years.

Operating. Operating loans can be used to purchase livestock, farm equipment, feed, seed, fuel, insurance or other operating expenses. Operating loans can also be used to pay for minor improvements to buildings, costs associated with land and water development, and to refinance debts under certain conditions. The 2008 Farm Bill increased the per farm loan limit for direct operating from \$200,000 to \$300,000. A five-year line of credit is also available. Fifty percent of these loans are set aside for beginning farmers and ranchers.

Farm Ownership. Direct and guaranteed farm ownership loans can be

used to purchase farmland, construct or repair buildings, or promote soil and water conservation. Seventy percent of these loans are set aside for beginning farmers and ranchers.

Down Payment Loan Program.

Assistance with a down payment is provided by FSA. FSA requires the beginning farmer to provide a 5 percent down payment and will then provide up to 45 percent toward the purchase, not to exceed its appraised value and not to exceed \$500,000. With this \$500,000 cap, the maximum FSA loan amount is \$225,000. Note, however, that this is a cap on the amount of the FSA portion of the loan, not a cap on the value of the

land to be acquired. The remaining 50 percent then comes from conventional sources, such as the local lender or seller-financing, with amortized payment over a 30-year period. The FSA loan term is 20 years, with an interest rate that is 4 percent lower than the regular FSA direct farm ownership loan interest rate, but no less than 1.5 percent.

Ownership - Joint Financing 50/50 ("Participation Loans").

This program does not require a down payment by the beginning farmer. FSA will provide up to 50 percent of the financing at an interest rate the same as the regular direct farm ownership loan program.

GUARANTEED LOANS. FSA guaranteed loans are available through local lenders or Farm Credit Services.

Operating. These loans are similar to the direct operating loans described above, but are financed through a local bank. FSA provides a guarantee to the lender up to 95 percent.

Ownership. These loans are similar to the direct operating loans described above, but are financed through a local bank. FSA provides a guarantee to the lender up to 95 percent and 40% of guaranteed loan funds are set aside for beginning farmers.