NORTHEAST NEW FARMERS: OPPORTUNITIES FOR POLICY DEVELOPMENT

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The Growing New Farmers Consortium Project (GNF) promotes the development of policies at the federal and state levels that foster the entry and success of new farmers in the Northeast. It proposes to raise awareness about the policy-related barriers that new farmers face, and to propose, encourage and advocate for policies that provide incentives and opportunities for new farmers. Toward these ends, the Project will produce a set of policy monographs exploring specific policy issue areas and implement a public issues education program for NE professional and farm audiences.

I. Background and context

The first federal public policy regarding new farmers was created in 1946 to make farm ownership loans available through the USDA Farmers Home Administration to farmers unable to get a loan elsewhere. Since its inception, the focus of FmHA (now the Farm Service Agency (FSA)), shifted away from low-income, low equity and beginning farmers, creating a void in credit opportunities for farm entry. At the same time, migration of farm heirs off the farm and dramatic shifts in land grant institutions away from traditional education and support of new farmers resulted in a decline in trained farmers and ranchers to take over family farm operations.

The first wave of policy response to this emerging crisis was developed in the late 1970s. Title III of the 1980 U.S. Farm Bill was titled the Family Farm Development Act and it provided for "the establishment of demonstration and training centers in rural areas of each state *to help train new farmers* … [to] include instruction in all the basic skills needed to operate and manage a small family farm." Only [two] states developed such centers.

It was not until the early 1990s that Congress adopted several new programs to enhance opportunities for beginning farmers and ranchers. Starting with the 1990 Farm Bill and continuing with the 1992 Agricultural Credit Improvement Act, Congress took steps to provide beginning farmers with special assistance in access to land, information and credit. Specific program elements included targeted loan funds for beginning farmers, borrower training, sale of inventory land to new farmers and federal-state partnerships to coordinate assistance to beginning farmers. The first federal-state partnership agreements were signed in 1993, and were based upon the creation of state First Time Farmer ("aggie bond") loan programs. The Act also authorized the creation of a USDA Beginning Farmer and Rancher Advisory Committee; it, however, was not convened until 1999. In 1996 the FAIR Act created additional opportunities for assisting beginning farmers with access to credit.

In 1995, the Center for Rural Affairs, a non-governmental organization based in Nebraska, conducted an evaluation of the FSA beginning farmer credit programs and put forward recommendations to improve the implementation of these policies. In the early 1990s the Center established the first land linking program, a private-sector response to the challenges faced by entering and exiting farmers around farm transfer and succession. Other land linking programs followed (now totaling 18), sponsored by non-governmental organizations, university extension, or state departments of agriculture.

In 1992, representatives of these programs convened the National Farm Transition Network (NFTN) to foster programs that support the next generation of farmers and ranchers, specifically related to farm transfer. In 1997, NFTN representatives and other beginning farmer advocates met with USDA Secretary Dan Glickman and presented policy recommendations including increased funding for beginning farmer loan programs, and the establishment of a comprehensive USDA beginning farmer initiative. It also proposed to the National Association of State Departments of Agriculture (NASDA) that beginning farmer issues be included in its policy platform.

In 1997, USDA Secretary Glickman appointed the National Commission on Small Farms. It held a series of public forums and in 1998 issued its report, "A Time to Act". It this report, the Commission outlined eight policy goals. Among these was "establish future generations of farmers". The Commission articulated policy recommendation in the areas of credit and capital, taxation, farm transfer, beginning farmer training, research, and modifications to policy related to cooperatives and conservation programs.

In 1999, members of the Beginning Farmer and Rancher Advisory Committee were appointed and the Committee convened that year and again in 2000 and 2001. It put forward recommendations to the Secretary, around FSA loan program improvements and broader matters concerning beginning farmers and ranchers.

At the state level, policy responses to the needs of new farmers have been spotty. Since 1993, 18 states have established beginning farmer programs that "assist beginning farmers to obtain financial assistance"; these are typically limited to aggie bond programs. A few state governments have developed policies and programming (other than loan programs) to support beginning farmers. These include Iowa, Minnesota, Wisconsin, New Jersey, North Dakota, Virginia, and New York. Most of these programs focus on (but are not limited to) farm transfer and "land linking". Nebraska and North Dakota passed a tax law providing incentives for land leasing and Iowa established a Beginning Farmer Center. In 1997 NASDA promoted more action among departments regarding intergenerational farm transfer in its mission statement. Several [#?] states have farmland protection programs that, by purchasing the development rights off of farmland, make the land more affordable to new farmers.

II. Current Policy Issues and Opportunities

By 2000, beginning farmer issues were elevated on the national farm policy agenda. This awareness was heightened by the results of the 1997 Census of Agriculture which portrayed ever more disturbing trends in the aging of the American farmer and in land ownership and transfer patterns. In response to this heightened awareness, new policy proposals are being generated at the federal, state and grassroots levels to address the full range of barriers faced by next generation farmers and ranchers.

At the same time, however, current federal policies are not designed to reflect or respond to regional differences. This creates additional policy barriers for Northeast new farmers and their advocates. For example, the aggie bond program is not popular in the Northeast because these industrial bonds are subject to a volume cap and must compete with non-agriculture sectors. Also, federal policies do not distinguish among the various types of new farmers. For example, FSA programs that require 3 years operating experience prevent farmers with less than 3 years from qualifying for certain loans. In addition, the particular needs of minority, culturally diverse and socially disadvantaged new farmers (including former farmworkers) are not adequately addressed within existing policy initiatives.

It must be said that the farm income issue cannot be ignored as a key factor in determining the success of next generation farmers and ranchers. As much as many new farmers have passion and adequate skills for farming, insufficient economic return may be the biggest barrier of all. Economics influence the tenure, production, marketing, management, and credit decisions of a new farmer. They will also influence whether a farmer begins (or continues) to farm part-time. The USDA Economic Research Service states "that it takes on average $500,000 in assets to fully support a farm household". Twenty-five per cent of young farmers have equity of less than $100,000. These statements raise fundamental questions about the presumed requirements to enter farming under current paradigms (typically mid-west oriented) and about the limitations of traditional debt financing for new-entry farmers and ranchers. These are problems that beginning farmer programming will not solve.

Current policy developments include the Beginning Farmer and Rancher Act of 2001 which is a collaborative effort to draft a comprehensive federal beginning farmer policy initiative for inclusion in the 2002 Farm Bill. It addresses beginning farmer development, research, credit provisions, and other policy proposals and reforms. In its draft form, it has been endorsed by the USDA Beginning Farmer and Rancher Advisory Committee, and the National Farm Transition Network, and is included in the policy recommendations of the National Campaign for Sustainable Agriculture.

The Beginning Farmer and Rancher Advisory Committee met with the newly appointed USDA Under Secretary for Foreign and Ag Services urging the Department to include a beginning farmer agenda in its Farm Bill proposals. It will also submit a comprehensive list of recommendations from its 2001 meeting to USDA Secretary Ann Veneman.

At the state level, the NFTN is developing partnership relations with NASDA and working to have beginning farmer issues included on the agenda of its annual meeting in Vermont in September.

Through the work of the Northeast New Farmer Network and GNF, Northeast new farmer advocates have gained substantial insight about the particular types of new farmers in this region and their service needs. (Cite NENFN documents.) With this perspective, advocates are able to: 1) provide a Northeast voice to *federal* policy about new farmers to assure that such policies respond to regional differences; and 2) promote appropriate *state-level* policies that reflect the unique regional and local circumstances of agriculture.

GNF proposes to investigate certain policy areas of importance to beginning farmers, recommend policy solutions, promote awareness about the issues and encourage advocacy around policy implementation. These new farmer policy issues can be considered in four areas:

- Access to capital and credit
- Access to land
- Access to information, training and technical assistance
- Access to markets

The following discussion lists policy issues that beginning farmer and rancher advocates have identified in each of these four areas.

A. Access to capital and credit

1. many new farmers are low equity and limited resource
2. traditional lenders do not tend to make loans to new farmers
3. current FSA loan programs have regulatory and administrative barriers
4. there are limitations to implementing the aggie bond program
5. focus on debt financing is problematic
6. federal appropriations for beginning farmer loan programs are inadequate
7. states experience barriers to implementing beginning farmer programs
8. programs to access capital do not distinguish among the variety of new farmers

B. Access to land

1. traditional patterns of farm succession are not adequate to meet current realities; there is a lack of contemporary and regionally appropriate entry and exit strategies and tenure models
2. exiting farmers do not have succession plans in place
3. new farmers face barriers in locating and securing farms and farmland
4. technical assistance for entering and exiting farmers around farm transfer is inadequate
5. tax policies create barriers to the efficient transfer of farms, farmland and other farm assets
6. new farmers face high rental rates and land prices; and competition from established farmers or developers

C. Access to information, training and technical assistance

1. traditional methods for information and skill transfer (e.g. parent-to-child, land grant institution education) are not adequate to meet the training needs of new farmers
2. new farmers have difficulty locating training opportunities
3. new farmers face barriers in accessing information and technical assistance that is customized for them i.e. in production, managerial, and financial skills
4. entry strategies for new and low equity farmers are insufficiently researched
5. apprenticeship and farmer mentoring programs are inadequately developed

D. Access to markets

1. new farmers experience barriers in accessing markets
2. new farmers face barriers to joining cooperatives

3. there are not sufficient models of marketing systems and risk management strategies customized for new farmers
4. there is inadequate assistance with marketing

III. Policy options

Dialogue about policy solutions to the issues presented above has intensified. Several groups, most notably those mentioned above, have brainstormed, discussed and proposed a variety of public policy solutions, from the broad to the specific, and at the federal as well as state levels. These policy options can be categorized in the four areas from above. Some are at the federal level, some at the state leve.

A. Access to capital and credit

1. amend (regulatory and administrative) current FSA beginning farmer subsidized loan programs, including adjustments to the aggie bond program
2. create non-debt options to access capital (e.g. equity financing, grants, cost-share)
3. create new financing options such as lease and contract guarantees by USDA
4. increase federal appropriations for beginning farmer loan programs
5. promote traditional (aggie bond) and innovative state beginning farmer programs and federal-state partnerships
6. address the particular capital and credit needs of new entry (0-3 years) farmers
7. Improve Farm Credit System's New and Young Farmer Loan Program outreach and delivery
8. research, pilot and promote alternative financing opportunities e.g. community-based re-lending programs
9. improve FSA outreach activities to reach new farmers
10. leverage the obligations of the Community Reinvestment Act to encourage commercial lending institutions to work with new farmers

B. Access to land

1. review and amend the federal tax code to facilitate the intergenerational transfer of farms, e.g. income tax exemption on certain lease income, capital gains and/or inheritance tax relief on farm transfers
2. review and amend state tax codes to facilitate the intergenerational transfer of farms
3. support land linking and farm transition programming with federal and state funding
4. research tenure and transfer models and approaches that consider regional parameters; expand the role of easements, land trusts and other non-traditional tools and partners
5. provide incentives in purchase of development rights programs to farmers with succession plans in place
6. train service providers to offer better retirement, estate and transfer planning services, and develop new models and tools for estate planning
7. develop models, tools and policy incentives for non-ownership tenure models (e.g. tax incentives for leasing; leasing tied to right of first refusal, etc.)
8. link farmland protection, conservation programs and farm succession
9. provide guarantees on contract sales

C. Access to information, training and technical assistance

1. develop comprehensive beginning farmer development programs; provide federal support through competitive grants programs; promote collaborations for service delivery
2. address and resolve legal issues around apprenticeship programming
3. develop models of farmer mentoring programs
4. establish within USDA a beginning farmer initiative dedicated to researching, developing, disseminating and supporting farm management models appropriate to new farmers
5. target and/or reward new farmer development issues in USDA competitive grants programs
6. promote targeted business assistance programming for new farmers as part of a state's or county's economic or rural development agenda

D. Access to Markets

1. improve opportunities for new farmers to join cooperatives through incentives to existing cooperatives or exiting coop shareholders
2. develop risk management strategies and customized risk management products for new farmers
3. promote and develop new marketing channels appropriate for new farmers; emphasize collective marketing approaches