



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

FEB - 1 2000

Dr. Hazell Reed, Chair
USDA Advisory Committee on
Beginning Farmers and Ranchers
Delaware State University
1200 North Dupont Highway
Dover, Delaware 19901-2277

Dear Dr. Reed:

Thank you for your letter of September 9, 1999, in which you submitted recommendations on behalf of the Advisory Committee on Beginning Farmers and Ranchers (Committee). I am sincerely grateful for the work of the Committee and congratulate you for being elected Chair. I apologize for the delay in responding to your letter.

I was eager to review your recommendations and am glad to have the opportunity to share my thoughts with you. I will address each of your recommendations in turn.

(1) Adequate funding must be provided for Farm Service Agency (FSA) loans.

Under the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000, FSA has the authority to provide a total of \$3 billion in loans to family-size farmers. Congress also recently approved an additional \$2.6 billion in supplemental funding for FSA loan programs. Our projections indicate that funding for both the direct and guaranteed loan programs should be sufficient to meet the demand for credit in fiscal year (FY) 2000.

(2) USDA should champion changes in the law concerning State "Aggie Bonds" programs in the pending tax legislation.

I commend you in your effort to create additional opportunities for young family farmers and ranchers by increasing the availability of reduced interest rate financing. As you note, proposed changes in the Federal tax law could expand the availability of affordable financing. Unfortunately, the use of loan guarantees in

conjunction with Federally tax-exempt securities amounts to a double subsidy, which is contrary to Federal credit policy. I am aware that other Federal agencies offer programs that are exempt from this policy, and I agree that consideration should be given to placing Aggie Bonds on an equal footing. The Department of Agriculture (USDA) will discuss the issue with the Office of Management and Budget in the coming months, and I will keep you apprised of any developments.

(3) USDA should conduct a comprehensive assessment of FSA's beginning farmer and rancher programs.

I appreciate your interest in evaluating the beginning farmer programs. I want to work with the Committee to determine if these programs are effectively achieving their mission, and USDA will provide staff resources, when possible, from various USDA agencies to assist in this effort.

(4) USDA should become more involved in promoting Federal/State beginning farmer and rancher partnerships.

I agree that USDA needs to do more to encourage State participation in our program of coordinated financial assistance for beginning farmers and ranchers. The farming opportunities already created by the 16 Federal/State partnerships are a good start, but USDA can do more. I will send a letter to Governors of the remaining 34 States informing them of the availability of partnerships and encouraging them to sign memorandums of understanding with FSA (if the States have beginning farmer programs) to create more opportunities for beginning operators.

(5) USDA should assure that adequate trained staff is available in FY 2000 in FSA offices where heavy demand for loans is expected.

In FY 2000, FSA will hire approximately 100 additional employees to help process and service direct and guaranteed loan applications, with plans to hire additional employees in future years. Before obtaining their loan approval authority, new FSA loan officers are required to complete an extensive training program involving courses in credit and financial analysis and general program operations. Employees must also complete a series of docket reviews, tests, and other evaluations before they are allowed to approve loans. I believe this training program enables us to offer our farm loan customers an experienced team of loan officers capable of making informed credit decisions as well as providing sound advice and guidance to borrowers.

Dr. Hazell Reed

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- (6) USDA should continue to support full funding (\$10 million) of the Small Farmer Outreach, Training and Technical Assistance (section 2501) program.**

The President's budget for FY 2000 included \$10 million in funding of the section 2501 program. Unfortunately, Congress appropriated only \$3 million for the program in FY 2000. On January 7, 2000, I did, however, transfer \$5.2 million from the Fund for Rural America to the section 2501 program for FY 2000. You may rest assured that I will continue to support full funding of the section 2501 program in the future.

Again, thank you for the hard work and careful thought you and the other Committee members put into formulating these recommendations. Although a number of challenges lie ahead, I am confident that with the Committee's help USDA can make significant progress in improving our programs for new farm operators, as well as encouraging more people to enter the industry. I look forward to working with the Committee to this end.

Sincerely,



DAN GLICKMAN
Secretary