

MEETING MINUTES

ADVISORY COMMITTEE ON BEGINNING FARMERS AND RANCHERS

TUESDAY, APRIL 11, 2000

8:30 a.m.

WELCOME

Hazell Reed, Chairman, called the second meeting of the Advisory Committee on Beginning Farmers and Ranchers (Committee) to order at 8:30 a.m., April 11, 2000, and asked each of the 12 Committee members in attendance to briefly reintroduce themselves. Members in attendance included Gary Blahosky (Minnesota Rural Finance Authority), Tim Cross (University of Tennessee), Henry English (Arkansas Small Farmer Outreach, Training and Technical Assistance Project), Juan Guzman (Florida fruit farmer), Ferd Hoefner (Sustainable Agriculture Coalition, Washington, D.C.), Calvin King (Arkansas Land and Farm Development Corporation), Carnell McAlpine (Farm Service Agency, Alabama), Howard Nakae (California farmer), Nancy New (Farm Service Agency, New York), LaVonne Nicolai (First State Bank of Castle Rock, Minnesota), Kathy Ruhf (New England Small Farm Institute, Massachusetts), and Russell Washington (Cooperative State Research, Education and Extension Service, South Carolina).

Department of Agriculture (USDA) employees in attendance included Carolyn Cooksie, Deputy Administrator for Farm Loan Programs, Farm Service Agency (FSA); Mark Falcone, Deputy Director, Loan Making Division, FSA and Designated Federal Official for the Advisory Committee; Kathy Zeidler, Senior Loan Officer, Guaranteed Loan Making Branch, FSA; and Charles Dodson, Agricultural Economist, FSA.

Members of the general public in attendance included Marian Beethe of the Nebraska Department of Agriculture; Paul Bergschneider of the Illinois Farm Development Authority; David A. Luttrell of the Texas Department of Agriculture; and Brad Parker of the Angus Journal, St. Joseph, Missouri.

OPENING REMARKS

Chairman Reed introduced Deputy Administrator Cooksie and thanked her for attending the meeting. Ms. Cooksie then delivered some brief remarks.

Loan Programs: Ms. Cooksie discussed FSA loans for socially disadvantaged (SDA) and beginning farmers and ranchers. She stated that other than targeted funds, there are no specific programs in place for SDA farmers. They have access to the same FSA loan programs as other farmers and must still meet all eligibility criteria in order to receive loans from FSA.

Ms. Cooksie informed members that for beginning farmers, FSA offers targeted funds and the Downpayment Farm Ownership (FO) Loan Program; stating that it is often difficult for beginning farmers to come up with the required 10% downpayment for that program.

Ms. Cooksie discussed whether FSA is truly helping farmers in today's economy by providing loan assistance and suggested that USDA offer better tools to SDA and beginning farmers so that they can stay in business. She encouraged the Committee to recommend legislative proposals to help in this effort.

Funding: Ms. Cooksie indicated that initial and supplemental appropriations for FY 2000 provided \$5.6 billion for farm loan programs — an amount which she said should be sufficient for all loan categories except direct FO. She also noted that the Administration's FY 2001 budget request includes \$4.5 billion for farm loan programs.

Staffing: Ms. Cooksie stated that staffing for FSA farm loan programs is in dire straits as a result of USDA reorganization and downsizing. She explained that when FSA hires new people, it takes a few years before they are fully trained and qualified to process and approve loans. She also mentioned that nearly 30% of FSA loan staff will be eligible for retirement in the next 2 years. To address this situation, Ms. Cooksie noted that Farm Loan Programs has hired 103 loan officers (30% of which are minorities) thus far in FY 2000.

Term Limits: FSA borrowers are limited by law from receiving more than 7 direct operating loans and 15 years of total direct and guaranteed operating loans. Ms. Cooksie briefly discussed the difficulties these limits pose to many FSA borrowers, especially given low commodity prices.

Shared Appreciation Agreements (SAAs): Ms. Cooksie discussed FSA regulations regarding SAAs (as required by the Agricultural Credit Act of 1987, dated January 6, 1988). She explained that when receiving a debt writedown, borrowers sign an SAA with a term of 10 years, in which they agree to repay all or a portion of the amount of the loan that was written down, if the agency's real estate security appreciates in value while under the agreement. Agreements for many farmers came due in 1999. With the significant appreciation in farm land in the 1990s and low commodity prices during the last few years, many FSA borrowers have been unable to repay the amount due under the SAA. Ms. Cooksie stated that in 1999, FSA published regulations that allow borrowers to request suspension in repayment of the determined Shared Appreciation Recapture amount for up to 3 years based on cash flow. A proposed rule was published (November 1999) which would reduce the term of the SAA to 5 years and allow borrowers to deduct the contributory market value of capital improvements made to the real estate while under the SAA. The rule would also have the interest rate charged on amortized SAA recapture reduced from the non-program rate to the Homestead Protection rate. Ms. Cooksie indicated that the final rule on these changes is now in progress.

Streamlining Effort: Ms. Cooksie discussed FSA's work to streamline and revise its regulations, highlighting the importance of this effort given the downsizing of staff in recent years. She informed members that the guaranteed loan regulations were revised and streamlined last year, and that staff is currently working to revise the direct loan regulations.

Q&As: Following Ms. Cooksie's remarks, members were invited to ask questions. Those questions and Ms. Cooksie's responses follow.

Mr. Washington asked if there was an e-mail address or website members could use to submit comments and concerns about FSA programs. Ms. Cooksie responded that she would provide members with her personal e-mail address and the addresses of other FSA officials.

Mr. Guzman commented on Risk Management Agency (RMA) and FSA program delivery, and specifically on legacy ASCS program payments. He expressed his interest in seeing that those funds be allocated to actual programs for farmers. Ms. Cooksie stated that sometime in the future, program payments will no longer exist. She added that it is difficult for FSA's farm loan staff to develop projected farm plans for loan requests when there is uncertainty about the future level of program payments. She offered to discuss these concerns with Mr. Guzman at a later time.

Mr. King asked how the support for farm subsidies compares to subsidies for other businesses, and commented about the unfair criticism directed at farmers for the subsidies they receive. Ms. Cooksie stated that she is not aware of any research into this area.

GUEST SPEAKERS

Following Ms. Cooksie's comments, the Chairman introduced guest speaker David Wirth, Executive Director for the Illinois Development Authority. Mr. Wirth provided a brief explanation of the National Council of State Agricultural Finance Programs (of which he is a Steering Committee member) and an overview of Aggie Bonds (Attachment 1). Mr. Wirth then fielded questions from members.

In response to a question from Ms. Ruhf, Mr. Wirth explained that he does visit other States for the purpose of helping them develop beginning farmer programs. Mr. King asked about the location of member States involved with the National Council of State Agricultural Finance Programs and the average size farm that they help. Mr. Wirth explained that there is heavy Midwest membership, with some participation in the Southeast. He also mentioned that the average farm size varies, but assistance is provided mainly to family farm operations. There was some general discussion about "Aggie Bonds" and the secondary market. A comment was made that other than banks, the seller of the land is the only other person that would buy an agricultural bond.

Chairman Reed then introduced guest speaker, Wayne Nelson, President of Communicating for Agriculture. Mr. Nelson discussed pending legislation (H.R. 1810 and S. 1038) concerning the Aggie Bond program, which would exempt the bonds from the volume cap on industrial revenue bonds. He also discussed the Office of Management and Budget's (OMB) past resistance to allowing FSA guarantees on Aggie Bonds. Current IRS code prohibits these guarantees because it is viewed as double dipping. OMB has viewed the guarantee of tax-exempt bonds as an

inefficient way of allocating Federal credit and believes that assistance to the borrower, through the tax exemption and the guarantee, provides interest savings to the borrower that are smaller than the tax revenue loss to the Government. Mr. Nelson mentioned that he has had discussions with several States in an attempt to implement Aggie Bond programs. Mr. Nelson also discussed S. 317, which would allow the current \$500,000 exemption per couple (or \$250,000 per individual) for the sale of a home to apply to the sale of farm land.

After a short break, Chairman Reed introduced guest speaker Dale Rackley, Risk Management Education Coordinator and Risk Management Specialist with the Georgia Regional Office of RMA. Mr. Rackley discussed the changes in the risk environment for farmers brought on by increased freedoms, less restrictive Government policy, elimination of deficiency payments, and reduction in ad hoc disaster payments. He gave an overview of the creation of RMA, formerly the Federal Crop Insurance Corporation, and the broad mandate of the Agency, which includes educating farmers on the risks inherent in producing and marketing agricultural commodities. Mr. Rackley discussed at length RMA's Risk Management Education program (required by the Federal Agricultural Improvement and Reform Act of 1996) and the partnering effort with the Georgia Department of Education's Young Farmer Program (Attachment 2). The Young Farmer Program was awarded a \$250,000 grant under RMA's 1999 Request for Proposals. Since July 1, 1999, Young Farmer teachers have conducted approximately 600 classes and reached approximately 3,500 individuals with risk management instruction.

Mr. Guzman commented on how impressed he was with Mr. Rackley's presentation and the efforts of RMA in Georgia. He stated that the situation is much different in his home State of Florida, which needs to have more risk management education. Mr. Rackley mentioned that partnering with other groups is critical to a successful training program.

A general discussion was held on funding and grant programs. Mr. Washington mentioned that some of the profits from the lottery system in Georgia are allocated to education, but that this is not the case in his home State of South Carolina. Ms. Ruhf discussed terminology and the conceptual blending of terms (small, young and beginning farmers), pointing out that while there is some overlap, these terms are not identical. In response to a question from Ms. Ruhf, Mr. Rackley explained that the Risk Management Education efforts were targeted to beginning farmers, rather than "start-up" farmers. Ms. Ruhf offered that it would be interesting for RMA to consider education for "start-up" or "new entry" farmers, who have different needs. Ms. Nicolai also agreed that not all beginning farmers are young, referring as an example to the many Hmong farmers in Minnesota who have relocated to the United States.

SUBCOMMITTEE ASSESSMENT PROPOSAL

Mr. Hoefner reviewed the work of the Beginning Farmer/Rancher Assessment Subcommittee (comprised of Mr. Cross, Mr. McAlpine, and himself). He briefly reviewed the Subcommittee's three-part Proposal, which was submitted to USDA following the first meeting of the Advisory Committee in which members put forward a recommendation that USDA conduct a

comprehensive assessment of FSA's beginning farmer and rancher programs. He informed members that he and Mark Falcone met with officials from various USDA agencies in January to discuss the proposal. He also stated USDA provided most of the information requested by the Subcommittee in Part 1 (statistical information on Federal and State Beginning Farmer Programs) of the Proposal, but that no real analysis of the information had been provided. Mr. Hoefner thanked FSA staff for their efforts to pull together the requested information, and questioned how the Committee should go about getting responses to Parts 2 (*USDA should contract out to an entity to conduct surveys to obtain specific information about the programs*) and 3 (*USDA should develop an enhanced policy research agenda*) of the Proposal.

Mr. Falcone advised the Committee that he, another FSA official, Mr. Wirth, and Mr. Nelson met with OMB in March to revisit the issue of FSA guarantees on Aggie Bonds. Mr. Falcone noted that, unlike earlier meetings, OMB reacted positively to the idea. Mr. Falcone and Mr. Dodson then reviewed some of the specific information provided in response to Part 1 of the Proposal. The Chairman deferred further discussion of the information until later in the meeting.

PUBLIC COMMENTS

Members heard public comments from Frank Bordeaux of the North Carolina Agriculture Finance Authority. Mr. Bordeaux explained that North Carolina does not use the Aggie Bond program because of the complexities of the banking structure. He was concerned about how FSA guaranteed FO funding would be impacted in North Carolina if the tax law is changed to allow guarantees on Aggie Bonds. He stated that North Carolina runs out of guaranteed FO funds every year. He also mentioned that the Finance Authority recently applied for FSA Preferred Lender status, and mentioned the Bank of America as an example of a PLP lender with centralized underwriting which other banks could use as a model. Mr. Bordeaux also requested that FSA simulate the lo-doc system used by the Small Business Administration to process loan applications.

There was then a general discussion on individual banks and corporate banks in providing financing to farmers. Ms. Nicolai addressed some concerns she had with corporate banks and the benefits provided to farmers by smaller banks.

Mr. Falcone then reviewed written comments received from the following individuals: Robert Frank Timberlake, Board Vice Chairman, North Carolina Agriculture Finance Authority; Sherman Lewis, Director, Center for Outreach Programs, Langston University, Langston, Oklahoma; Paul Fisher, FSA County Executive Director, Littleton, Massachusetts; Connie Brott, family farmer, Hayes Center, Nebraska; Judith Gillan, Director, New England Small Farm Institute, Belchertown, Massachusetts; and Kathy Bridges, family rancher, Turner, Oregon.

The comments included discussion of adequate FSA funding and staffing; full funding for USDA's Small Farmer Outreach, Training and Technical Assistance Program (2501 Program); FSA's borrower training program; USDA's proposed rule on National Organic Standards; and USDA assistance for beginning farmers.

Ms. Ruhf then suggested that the Committee comment on USDA's proposed organic standards regulation. Mr. King also suggested the Committee make a recommendation to the Secretary in support of \$20 million for the 2501 program as recommended by the National Commission on Small Farms. Chairman Reed deferred discussion of these and other recommendations until later in the meeting.

GUEST SPEAKERS (continued)

Chairman Reed introduced guest speaker, John Baker, Administrator of the Iowa State Beginning Farmer Center, who addressed numerous topics concerning beginning farmers and agricultural careers, including (1) the factors which prohibit people from getting involved in farming/ranching; (2) the four phases of farm business; (3) reasons we should care about beginning farmers and small farms; and the (4) the farm planning process. He made the following 5 recommendations for the Committee to consider (4 of which would require statutory changes):

- provide a tax credit to an existing farmer, rancher or landowner on the first \$20,000 of income received from the lease of farm/ranch assets to an operating beginning farmer or rancher;
- provide a tax credit to a beginning farmer or rancher on the first \$20,000 of income received from operating a farm or ranch;
- (3) provide a tax credit to an existing farmer or rancher on the first \$10,000 of income from the sale of a share of a closely held "value retained" business entity to a beginning farmer or rancher;
- (4) establish an interest free loan program for the creation of a closely held "value retained" agricultural business entity; and
- (5) allow for USDA matching grant funds to organizations that link existing and beginning farmers and ranchers.

DRAFT PROPOSALS (free-flowing)

Before the Committee began discussing the list of proposals drafted at the first meeting, Mr. Falcone gave an update on the events that had taken place with regard to the Committee's 6 urgent recommendations sent to the Secretary on September 9, 1999, by Chairman Reed on the Committee's behalf. Mr. Falcone stated that the Secretary responded to the letter and that all Committee members should have received a copy of both the Chairman's letter and the Secretary's response.

Mr. Hoefner suggested that the Committee revisit the 6 recommendations and send a follow-up letter to the Secretary thanking him for his response and requesting action on issues which were not addressed, or which require further action. The Committee discussed the 6 recommendations in turn.

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

Discussion: Mr. Falcone reiterated Ms. Cooksie's earlier statement about FY 2000 funding levels, which FSA expects to be sufficient for all categories except Direct FO.

Mr. Blahosky suggested that the Committee submit a recommendation to the Secretary regarding FY 2001 funding levels. He then asked the other members what the funding levels should be based on. Mr. Hoefner suggested that the Committee ask for a supplemental appropriation in anticipation of a shortfall in Direct FO. Mr. King suggested that the Committee extrapolate the funding numbers based on increased usage in FY 1999.

Motion: Mr. Blahosky moved that the Committee make a recommendation to the Secretary that funding for all FSA loan programs be increased in the FY 2001 budget based on FY 2000 funding and expected loan demand. Mr. King seconded the motion. The Chairman called for a vote, and the motion carried.

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

Discussion: Mr. Hoefner noted that the Secretary did not address the State volume cap on Industrial Revenue Bonds in his response to Chairman Reed's letter. Mr. Blahosky commented that allowing FSA guarantees on Aggie Bonds would solve a lot of the problems with regard to the availability of financing for agriculture.

Motion: Mr. Hoefner offered a motion that the Committee thank the Secretary for stating his agreement that Aggie Bonds should be placed on equal footing with other Federal programs that are exempt from the tax law prohibiting guarantees, and that the Committee request the Secretary's support of H.R. 1810 and S. 1038, which would exempt Aggie Bonds from State volume caps on Industrial Revenue Bonds. Ms. Ruhf seconded the motion. Motion carried.

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

Discussion: Ms. Ruhf suggested that discussion on this issue be deferred until the next day, given the amount of information provided by FSA in response to the Assessment Subcommittee's Proposal. There was a general consensus among the members to adjourn for the day.

ADJOURNMENT FOR TUESDAY, APRIL 11, 2000

Chairman Reed asked if members would agree to meet at 8:00 a.m., instead of 8:30 a.m., the next day (Wednesday). Members agreed, and the Chairman adjourned the meeting at about 5:00 p.m.

WEDNESDAY, APRIL 12, 2000
8:00 a.m.

The Chairman called the meeting to order. Mark Falcone went over a few housekeeping items.

Motion: Mr. Blahosky moved to approve the minutes of the last meeting. The motion was seconded. Motion carried.

Discussion then resumed on item 3 of the 6 urgent recommendations.

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

Discussion: Ms. Ruhf stated that the Committee needed to prioritize some of the research items and ask specific questions of the National Agricultural Statistics Service (NASS).

Mr. King asked Mr. Dodson if there were any universities currently conducting the type of research requested by the Assessment Subcommittee in its Proposal.

Mr. Dodson replied that a lot of the work requested in the Proposal could be completed if there was a commitment of resources and direction from higher level officials. He stated that he is the only FSA employee involved in research, but mentioned that the Economic Research Service also has resources.

Ms. Ruhf pointed out that there are various segments of farmers, including "small," beginning," "young", etc., and pointed out that not all beginning farmers are small farmers; not all small farmers are beginning farmers; and so forth. She mentioned that there is limited information about "new entry" farmers, and suggested that the Committee add this to the list of researchable items to find out what is known about this and other groups of farmers, what their needs are, etc.

Mr. Falcone offered that there is one statutory definition of beginning farmer within FSA. He also advised members that the USDA Chief Economist agreed to encourage other agencies to work with the Committee to obtain information for Part 3 of the proposal.

A general discussion was held concerning the definition of a beginning farmer.

Motion: Mr. King offered a motion in support of the suggestion made by Ms. Ruhf — that a recommendation be made on the Proposal itself. Kathy offered an amendment to the motion, suggesting that the Secretary define the various constituencies of beginning farmers. Mr. King then suggested that USDA make it a priority to establish an apprentice program for beginning farmers. Chairman Reed mentioned that members needed to reach a consensus on these issues. No action was taken on the motion.

Ms. Ruhf asked if it would be helpful to revisit the Subcommittee Proposal and USDA's response to determine if items were missing or if there were additional questions. Mr. Hoefner agreed that this would be helpful.

Mr. Cross stated that USDA provided the Committee a lot of information in response to the Subcommittee Proposal; however, the information was not summarized or assimilated. He questioned whether the Subcommittee will be able to organize the data into a summary such as in "A Time to Act" (a report of the USDA National Commission on Small Farms), or whether USDA could draft a summary. Mr. Dodson stated that a lot of resources would be required to pull the information together, and that the Committee may want to make this a formal recommendation. Mr. Hoefner suggested that the Subcommittee collect all of the available information concerning statutory and regulatory definitions of young, beginning, limited resource and SDA farmers, and have the full Committee make suggestions to change them. Mr. Blahosky questioned whether "we are expecting too much of the Subcommittee." Chairman Reed stated that the Subcommittee should not be responsible for creating the definition of a beginning farmer because there are no farmers on the Subcommittee.

Motion: Mr. Blahosky offered a motion that the Subcommittee collect information from USDA on the various beginning farmer constituencies, identifying consistency of laws, regulations, and so forth. Mr. Cross seconded the motion. Motion carried.

Mr. McAlpine suggested that Ms. Ruhf and Mr. Guzman be added to the membership of the Assessment Subcommittee. Other members of the Committee agreed with this suggestion. Both Ms. Ruhf and Mr. Guzman agreed to be part of the Subcommittee.

Motion: Mr. Hoefner moved that a recommendation be made to the Secretary asking that discretionary funds be allocated to a firm, university, or non-Government organization to conduct research on FSA loan programs to beginning farmers (Part 2 of the Subcommittee's assessment proposal). Mr. Blahosky seconded the motion.

Chairman Reed questioned what type of entity would do the research, and Mr. Hoefner offered that it could be accomplished through a cooperative agreement. Chairman Reed said the Committee needs to understand the parameters of how the survey will be conducted. Mr. Blahosky suggested that the Subcommittee find the most economical and feasible way to conduct the research.

The Chairman called for a vote on the issue, and the motion carried.

Additional discussion on #3 of the initial recommendations: Ms. Ruhf stated that the Committee needed to discuss Part 3 of the Proposal. Mr. Hoefner suggested that the Committee choose three or four items that it wants NASS to include in its annual survey of farmers. Mr. Dodson added that NASS is in the process of completing the FY 2000 survey, and stated that in the past the agency has been reluctant to change the survey by adding the "years of

experience” or other questions, since the survey is already very detailed. Mr. Dodson stated that NASS would be more likely to change the survey questions if it received a recommendation from the Committee or a high level official. Ms. Ruhf suggested that the Committee amend its earlier motion to include that the Committee approach NASS to see if it is possible to add questions to the survey. Mr. Hoefner suggested that the Committee draft a list questions it would like to add to the survey and ask Mr. King to present the suggestion to USDA’s Advisory Committee on Small Farms (of which he is a member) for endorsement.

Motion: Ms. Ruhf introduced a motion that the Committee ask the Secretary to encourage NASS to include additional questions in its annual farmer survey. No action was taken on this motion. Discussion ensued.

Mr. Dodson offered to make a copy of the NASS survey available to members of the Subcommittee who agreed to review it and determine the additional questions which should be included. Mr. Hoefner suggested that the questions be framed broadly (i.e. information on age of operators, if junior partners are involved in the operation, etc.) when forming the recommendation so that a letter to the Secretary can be completed quickly. Ms. New suggested that the letter of recommendation to the Secretary urge NASS to meet with the Subcommittee, rather than asking the Committee or Subcommittee to decide what type of questions should be added. Mr. Dodson stated that the information collected on NASS surveys is closely held because of the financial data which the agency obtains. He pointed out that it is often the case in USDA that information is collected and there are insufficient resources available to undertake analysis of that information.

Motion: Ms. New offered a motion that the Committee urge the Secretary to initiate a meeting between NASS and the Subcommittee to develop additional questions for the NASS survey related to beginning farmers, farm entry and transfer. Mr. McAlpine seconded the motion. Motion carried.

A discussion was then initiated by Ms. Ruhf on grant programs and the possibility of including beginning farmers as a topic in the guidelines for these programs.

Motion: Ms. Ruhf made a formal motion that the Committee encourage the Secretary to include beginning farmer and rancher issues in future research and extension competitive grant program requests for proposals, using, as appropriate, some of the questions raised in Part 3 of the Proposal. Mr. Blahosky seconded the motion. Motion carried.

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

Discussion: Ms. Ruhf suggested that the Committee encourage the development of State-level beginning farmer and rancher programs to further the Federal/State partnership and signing of additional Memoranda of Understanding (MOU). Mr. King offered that USDA should provide necessary support to States to create programs for underserved groups, and that steps should be

taken to make those opportunities available through credit associations.

Motion: Mr. King offered a motion that USDA prioritize support for the creation of Agricultural Credit Associations where there is a void in financing for underserved groups. No action was taken on this motion. Discussion on other topics ensued.

Motion: Mr. Hoefner offered a 3-part motion with regard to USDA promotion of the Federal/State Partnerships:

- (1) commend the Secretary for sending a letter to the 34 Governors whose States do not currently have an MOU with USDA;
- (2) encourage USDA to provide technical assistance to States without beginning farmer programs; and
- (3) work with the Committee to develop future legislative proposals to make the Federal/State Partnership more attractive to States.

Mr. Blahosky seconded the motion, commenting that the only benefit to States involved in the Partnership is the waiver of the one-percent guarantee fee on guaranteed loans made under a State beginning farmer program where a MOU has been signed. Ms. Zeidler offered that FSA regulations also authorize 95 percent guarantees on loans made under a State beginning farmer program where a MOU has been signed. **The Chairman called for a vote, and the motion carried.**

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

Discussion: Mr. Guzman stated the importance of cross-training FSA employees in all agency programs. Ms. New and Mr. McAlpine discussed the challenges in cross-training employees due to demands on employee time, unwillingness of staff to learn programs outside of their chosen professional field, complexity of programs, etc.

Motion: Mr. Guzman offered a motion encouraging FSA to cross-train employees at the county level. Ms. New suggested that the motion be amended to alert the Secretary to the fact that 30% of FSA employees will be eligible for retirement in 2 years, and that there is a need to replace staff without causing a detrimental effect on county operations. Chairman Reed suggested that the Committee mention the need to increase the number of personnel to better serve farmers. Mr. McAlpine offered that the recommendation include a statement that the new employees have adequate qualifications. **Amended motion: The Committee recommends that the Secretary encourage cross-training of FSA employees at the county level, hire additional qualified loan officers, and be prepared to replace personnel in the future, as almost 30% of farm loan employees nationwide are eligible for retirement in the next 2 years. Mr. Blahosky seconded the motion. Motion carried.**

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

Motion: Mr. King moved that the Committee commend the Secretary for his support of full funding for the 2501 program and continue this support by endorsing recommendation number 7.3 of the National Commission on Small Farms report requesting \$20 million for this program in FY 2002. Mr. Guzman seconded the motion. Motion carried.

Discussion: Ms. Ruhf asked if the Committee wanted to include more specific information in the recommendation such as encouraging the Secretary to target additional audiences under the 2501 Program, e.g. SDA, beginning, or new-entry farmers, rather than the broad recommendation for increased funding for 2501. Mr. Hoefner suggested that the Subcommittee look into the matter and discuss it at the next meeting.

ELECTION OF CHAIR-ELECT

Chairman Reed announced that since some members might leave early to get to the airport, he was going to change the agenda a bit. He informed members that an election of a new Chair-elect was necessary to replace Jo Anderson, who resigned her place on the Committee because of a career change.

Mr. Blahosky nominated Ms. Ruhf. Mr. Guzman seconded the nomination. Mr. King nominated Ms. Nicolai, who declined the nomination. Members named Ms. Ruhf as the new Chair-elect by acclamation.

ADDITIONAL DISCUSSION (free-flowing)

The Committee revisited Mr. King's earlier concern with regard to Ag Credit Associations.

Motion: Mr. King offered a motion recommending to the Secretary that USDA provide the necessary support, technical assistance, guidance, etc. to create sources for alternative financing where credit needs exist and to remove impediments in the Farm Credit Administration (FCA) which prevent financing for underserved groups. Mr. McAlpine and Mr. English seconded the motion. Discussion ensued.

Mr. Blahosky questioned whether the Committee should involve itself in this issue area since it pertains to private sector business. Mr. Cross suggested that the Committee make the motion more general. Ms. Ruhf stated that Farm Credit is already required to target funds to young, beginning and small farmers, and asked whether the Committee wanted to recommend that FCA lend more money to those groups or wished to study the data further to develop more specific recommendations. Mr. Dodson advised members that Farm Credit data can be misleading and give the appearance that a greater percentage of funds is obligated to young, beginning and small farmers than is actually provided. Mr. Hoefner suggested that someone from the Farm Credit

Council address the Committee at a later meeting.

The Chairman called for a vote, and the motion carried.

FUTURE BUSINESS

Mr. Falcone briefed members on the upcoming meeting of the USDA Advisory Committee on Small Farms, scheduled for the week of April 17, and stated that he would attend. Mr. Cross asked whether the Committee should, at that time, ask the Small Farms Committee to support the recommendation regarding the NASS survey questions. Mr. Falcone and Mr. King agreed to offer the recommendation at the meeting.

A discussion ensued about the logistics of drafting the letter to the Secretary advising him of the Committee's latest recommendations. It was agreed that after FSA completed the minutes of the meeting and they were distributed the Chair would draft the letter to the Secretary.

Mr. Falcone entertained questions about the next meeting. He advised members that there would not likely be sufficient funds to hold another meeting in FY 2000. He also reviewed the status of membership and the Committee bylaws, which state that a third of the Committee members will, generally, be replaced following expiration of the charter, which is set to expire in November. Mr. Falcone also informed the Committee that three members were unable to attend the current meeting (Jeff Plagge, Wayne Soren, and Greg Smitman) and, as Chairman Reed indicated, one member (Jo Anderson) resigned. Mr. Hoefner suggested that the Committee attempt to hold a meeting in FY 2001, but prior to the expiration of the charter, so that the current membership would have at least one more opportunity to meet. Location for the meeting was discussed.

Motion: Mr. Blahosky offered a motion to hold the next meeting in Washington, D.C. and to schedule it when funds are available. Mr. McAlpine seconded the motion. Motion carried.

DRAFT PROPOSALS (free-flowing)

Discussion among Committee members ensued on the additional draft proposals developed at the meeting in August 1999 and other issues.

Term Limits

Members discussed the FSA term limits issue mentioned by Ms. Cooksie in her opening remarks. Mr. Hoefner described an amendment offered by Senator Dorgan that, had it passed, would have eliminated any disaster years when calculating the number of years of borrower eligibility. Mr. Hoefner indicated that the amendment did not garner the support of the Secretary and suggested that the Committee urge Secretary Glickman to support making the graduation requirements more flexible.

Mr. Guzman stated that while term limits are important, the Committee should urge the Secretary

to develop a more flexible plan to implement graduation requirements. Mr. King suggested that the Committee ask USDA staff to develop a legislative proposal on this matter in consultation with the Assessment Subcommittee.

Motion: Mr. Guzman moved that the Committee urge the Secretary to develop a more flexible plan to implement graduation requirements, while continuing to recognize the importance of term limits. The motion was seconded by Mr. Blahosky.

Further discussion ensued when Mr. Nakae questioned what is meant by the term “flexible,” recommending that the motion be more specific. The Committee agreed to amend the earlier motion to specify that **term limits be increased from 7 years to 10 years, and that disaster years be eliminated from the calculation.** The Chairman called for a vote on the amended motion, and the motion carried. **Amended motion: The Committee urges the Secretary to develop a legislative proposal to increase the term limits for direct operating loans from 7 to 10 years and to eliminate disaster years from the calculation of the 10-year and 15-year limits for direct and guaranteed loans, respectively.**

Interest Assistance

Mr. Hoefner initiated a discussion on the topics of Interest Assistance (IA) and borrower training.

Motion: Mr. Hoefner offered a motion that the Committee urge USDA to take appropriate steps to:

- (1) utilize IA in States where it is not currently being used;**
- (2) make beginning farmers a higher priority with regard to IA; and**
- (3) establish IA for 5 years to beginning farmers without requiring an annual review.**

Mr. Blahosky seconded the motion. Motion carried.

Borrower Training

Mr. Hoefner informed members that the information provided by USDA in response to the Assessment Subcommittee proposal illustrated that 41% of beginning farmers are receiving waivers of borrower training, while 51% of the total number of FSA borrowers are receiving waivers. He suggested that the Committee urge the Secretary to review the guidelines on waivers and allow them only where training is unnecessary. A discussion ensued about the larger problems associated with the borrower training program. Ms. New stated that the problem is not the number of waivers, but the program itself, and that the Committee may want to consider recommending that the Secretary review the entire borrower training program and devise ways to improve it.

Motion: Ms. New offered a motion that the Committee recommend that FSA undertake a comprehensive review of the borrower training program with specific emphasis on concerns in the area of waivers, cost, and number of vendors available. Mr. Blahosky seconded the motion. Motion carried and further discussion ensued.

Ms. Nicolai stated that with this recommendation, the Committee may make it more difficult for farmers to obtain a waiver when it is actually needed, as in cases where farmers have to travel long distances for the classes. Ms. New stated that we cannot provide supervised credit to someone and expect them to be successful without providing them the proper tools.

Mr. Washington commented on the quality of the program and questioned whether it is an effective tool to someone who cannot read or write. Mr. Guzman stated that the program is not benefitting farmers if it is provided long after the loan is made. He was also concerned with the cost and travel distance for the classes. Chairman Reed suggested that successful Government or other training programs be reviewed and used as models. Mr. Hoefner offered an amendment to Ms. New's earlier motion stating that other successful models be used to improve the borrower training program. **Amended motion: The Committee urges the Secretary to undertake a comprehensive review of the borrower training program with specific emphasis on concerns in the area of waivers, cost, and number of vendors available, while using the most successful programs as models for national program guidance and also looking at ways to partner with RMA's Risk Management Education program and other agencies to devise innovative improvements to the program. The Chairman called for a vote on the amended motion, and the motion carried.**

Downpayment Program

Mr. Blahosky suggested the Committee further discuss the FSA Downpayment Program and his suggestion from the first meeting that the repayment period on the FSA-financed 30% be increased from 10 years to 20 years or to amortize the loan with a balloon installment after 10 years (allowing a lower annual installment). Mr. Hoefner suggested that the Committee consider recommending that FSA explore a longer repayment period without specifying the exact number of years.

Motion: Mr. Blahosky offered a motion recommending that the Secretary consider a legislative proposal to lengthen the repayment period for the FSA-financed portion of loans made under the Downpayment Program. Mr. Guzman seconded the motion. The Chairman called for a vote, and the motion carried.

Crop Insurance

A discussion initiated by Mr. Blahosky ensued on crop insurance subsidies for farmers. Mr. Hoefner advised Committee members that a crop insurance reform bill is currently in conference, which would make substantial changes to the crop and revenue insurance programs, doubling the annual taxpayer cost to approximately \$3.5 million. He noted, however, that an amendment to provide beginning farmers with a higher historic yield failed in the House Agriculture Committee and is not part of the current discussions.

Motion: Mr. Blahosky offered a motion recommending that the Secretary support legislation to provide higher subsidy rates on crop insurance coverage to beginning farmers and to increase their actual production history to 110% of the county average so that they

can obtain operating loans. Mr. Washington seconded the motion. Motion carried.

Organic Standards

Ms. Ruhf initiated a discussion on the proposed organic standards regulations issued by USDA's Agricultural Marketing Service on March 13, 2000. She commented that certain elements of the proposed rule (e.g. certification costs) are disadvantageous to small and beginning farmers and that the Committee may want to consider commenting on the proposed rule. She also suggested that the Committee consider collaborating with the Small Farms Advisory Committee to offer a joint comment on the regulations.

Mr. Hoefner suggested that Ms. Ruhf draft a letter to submit as a public comment and circulate it to the Committee members. Ms. Ruhf agreed, stating that she would invite members to endorse the comments individually rather than attempting to obtain the endorsement of the Committee as a whole.

Hog Moratorium

A discussion on FSA financing for hog facilities commenced. Mr. Blahosky suggested that a recommendation be sent to the Secretary urging him to lift the moratorium or review whether it should be lifted. He further suggested that FSA be asked to issue a news release clarifying that financing for existing hog operations is available, despite the moratorium on financing for new construction. Mr. Hoefner stated that it may not be a good idea to put forward a recommendation that does not truly relate to beginning farmers. Ms. New suggested that the FSA officials in attendance take these suggestions back to Washington and review them with higher level officials, rather than offering a formal recommendation on the topic. Mr. Blahosky acquiesced.

Training for Young, Beginning Farmers

Motion: Mr. King offered a motion whereby the Committee would recommend that USDA design and encourage model programs to train high school students in farm operation and management, possibly in cooperation with FFA, 4-H, Risk Management Education, and other programs. The motion carried.

CLOSING REMARKS

The Chairman thanked the Committee for their time and hard work. Remarks were made about the length of the recommendation letter to the Secretary, and the importance of keeping it as brief as possible.

Motion: Mr. Blahosky moved, and Mr. McAlpine seconded the motion, that the Committee meeting be adjourned. Motion carried.