

MEETING MINUTES

ADVISORY COMMITTEE ON BEGINNING FARMERS AND RANCHERS

RADISSON BARCELO HOTEL, 2121 P STREET, WASHINGTON, D.C.

TUESDAY, JUNE 19, 2001

8:30 a.m.

WELCOME

Mark Falcone, Designated Federal Official for the Advisory Committee on Beginning Farmers and Ranchers (Committee) and Deputy Director of the Farm Service Agency's (FSA) Loan Making Division, called the meeting to order at 8:30 a.m., June 19, 2001. Mr. Falcone welcomed the new Committee members and visitors in attendance. He stated that it is unclear what the Administration's position is on beginning farmers, but that insight may be gleaned from the Committee's meeting with J.B. Penn, Under Secretary for Farm and Foreign Agricultural Services (FFAS; Mr. Penn is the USDA official designated to prepare proposals for the 2002 Farm Bill), scheduled for Wednesday, June 20. Mr. Falcone briefly went over the agenda and informational materials provided to the members and visitors, and then asked everyone to introduce themselves.

Members in attendance included Terry Barta (Smith County State Bank and Trust Company, Kansas), Gary Blahosky (Minnesota Rural Finance Authority), Michael Campbell (farmer, Illinois), Tim Cross (University of Tennessee), Valerie Diller (farmer, Texas), Henry English (Arkansas Small Farmer Outreach, Training and Technical Assistance Project), Juan Guzman (fruit farmer, Florida), John Hays (The Farm Credit Council, Washington, D.C.), Ferd Hoefner (Sustainable Agriculture Coalition, Washington, D.C.), Calvin King (Arkansas Land and Farm Development Corporation), Carnell McAlpine (Farm Service Agency, Alabama), Linda Prentiss (rancher, California), Hazell Reed (Delaware State University), Richard Ritter (Flanagan State Bank, Illinois), Kathy Ruhf (New England Small Farm Institute, Massachusetts), Wayne Soren (farmer, South Dakota), Russell Washington (Cooperative State Research, Education and Extension Service, South Carolina), and David Wirth (Illinois Farm Development Authority).

Department of Agriculture (USDA) employees on the agenda who were in attendance included Norman Bennett (National Agricultural Statistics Service - NASS), Charles Dodson (FSA Economic and Policy Analysis Staff), Linda Hutton (NASS), Steve Koenig (Economic Research Service -ERS), and Juan Marinez (Cooperative State Research, Education and Extension Service- CSREES; on detail to USDA's Office of Outreach).

Other USDA employees in attendance included E.N. Escobar (CSREES), Trent Rogers (FSA Loan Making Division), Galen VanVleet (FSA Loan Making Division), and Kathy Zeidler (FSA Loan Making Division).

Members of the general public on the agenda who were in attendance included Wayne Nelson (Communicating for Agriculture). Other members of the general public in attendance were Chris Garza (American Farm Bureau), Victor Garcia (University of Indiana) and Don Hering (D.E. Hering Associates).

OPENING REMARKS

Mr. Falcone mentioned that Committee member Nancy New (FSA, New York) could not attend the meeting. He then gave a thorough overview of the agenda and stated that Carolyn Cooksie, FSA's Deputy Administrator for Farm Loan Programs, planned to stop by at some point during the meeting, and that Ms. Cooksie recently testified before the Senate Committee on Agriculture regarding loan issues. Ms. Cooksie's testimony included a statement that beginning farmers need more than low-interest loans to be successful. Mr. Falcone stated that the Office of Management and Budget (OMB) removed information from the draft testimony on the impending FSA staffing crisis and the need for new beginning farmer programs. Mr. Falcone added that

Ms. Cooksie would be testifying before the House Committee on Agriculture on June 20.

Mr. Falcone stated that FSA is considering legislative proposals on the following topics: (1) FSA guarantees on aggie bonds, (2) a first-time farm buyer equity investment program, (3) graduation limits, and (4) reauthorization of FSA's Interest Assistance program for guaranteed loans. He also mentioned that he recently had an interview with the Scripps News Service regarding the Committee meeting. Mr. Falcone then provided an update on several of the Committee recommendations addressed in the December 8, 2000, letter from former Under Secretary Schumacher to former Chairman Reed, including:

- (1) FSA funding: Mr. Falcone stated that FSA has a backlog of 91 direct farm ownership (FO) beginning farmer loans totaling \$10.3 million, and that there is also a \$5 million backlog in subsidized guaranteed beginning farmer operating loan requests (32 loans). He mentioned that FSA had transferred funds earlier this year to fund a backlog of beginning farmer direct FO loans, and that the law allows FSA to make another transfer to fund beginning farmer downpayment loans on August 1, 2001. Mr. Falcone stated that FSA will likely have a funding shortage in the direct FO program in fiscal year (FY) 2002. He also stated that FSA's FY 2003 budget proposal includes a large increase in the direct FO allocation.

A separate discussion ensued on lengthening the 10-year repayment term for the FSA-financed portion of Downpayment FO loans. Mr. Falcone stated that there have been several requests from the Committee and other groups to lengthen the term.

- (2) Aggie Bonds: Mr. Falcone stated that this issue would be discussed in detail later in the meeting by Mr. Wirth and Mr. Nelson.
- (3) Agricultural surveys: Mr. Falcone mentioned that a meeting was held to discuss surveys on April 18, 2001, and that this issue was scheduled for discussion later in the meeting.
- (4) Federal/State partnerships: On November 18, 2000, Ms. Cooksie sent a letter to FSA

State Offices encouraging them to work with their State Department of Agriculture officials to provide assistance to beginning farmer and ranchers. Mr. Falcone mentioned that FSA's Indiana, Ohio and Idaho State Offices are working with representatives from their respective State Beginning Farmer Programs to secure memorandums of understanding (MOUs).

Mr. Falcone also mentioned that Secretary Veneman recently lifted the suspension on FSA loans to finance the construction of specialized hog production facilities, and that FSA was preparing a Federal Register notice to inform the public.

Mr. Guzman raised a concern about FSA officials in Homestead, Florida and their unwillingness to make loans. Mr. Guzman stated that he believed FSA has been telling applicants not to submit applications unless they are nursery operators. Mr. Falcone stated that he would discuss the matter with personnel in Florida and would obtain application information to see if there are distinct trends.

Mr. Falcone then turned the floor over to Mr. Hoefner, Mr. Dodson, Mr. Koenig, Ms. Hutton and Mr. Bennett for an update on the Assessment Subcommittee's proposal regarding agricultural surveys.

UPDATE ON SUBCOMMITTEE PROPOSAL (Agricultural Surveys)

Mr. Hoefner provided a brief background on how the agricultural surveys became a topic of discussion for the Committee. He explained that during the first Committee meeting in 1999, the Committee recommended that the Secretary undertake an assessment of existing USDA beginning farmer programs. The Committee formed an Assessment Subcommittee to work on this particular recommendation. The Assessment Subcommittee met in October 1999 and came up with a three-part proposal which included: (1) a review of existing State and Federal beginning farmer programs; (2) a survey of beginning farmers, participating banks, State and county FSA offices, etc., to provide in-depth information and evaluation of FSA programs; and (3) an enhanced policy research agenda on beginning farmer issues, with participation by ERS, NASS, and CSREES. The third part of the proposal suggested an update of existing policy reports and pursuit of specific NASS survey questions.

Subsequently, at its April 2000 meeting, the Committee again recommended that the Secretary undertake an assessment of existing USDA beginning farmer programs, breaking it down into the three-part proposal. The Committee requested that the Secretary initiate a meeting between NASS, the Assessment Subcommittee, ERS, and the USDA Advisory Committee on Small Farms to discuss questions that might be added to the annual NASS survey.

As a result, on April 18, 2001, a meeting was convened among NASS, FSA, ERS, and representatives of the Small Farms Advisory Committee and the Advisory Committee on Beginning Farmers and Ranchers. Three survey instruments were discussed: (1) the Census of Agriculture, (2) Agricultural Resource Marketing Study (ARMS), and (3) the Agricultural Economic and Land Ownership Survey (AELOS).

Mr. Hoefner explained that some progress was being made to obtain better information on beginning farmers on the existing surveys. For instance, junior partners will be captured on the Census of Agriculture and operator retirement plans are discussed in ARMS. Mr. Hoefner suggested another meeting be held to follow up on this issue.

Mr. Dodson, with input from Mr. Koenig and Ms. Hutton, gave a brief presentation about the different agricultural surveys and their usefulness (Attachment 1). Mr. Dodson stated that the surveys change each time they are used, and that there are many vehicles available from which the Committee can glean information. He explained that the Census of Agriculture can be used to determine the number of farmers at the State and local level. Mr. Koenig added that AELOS provides richer demographic information on land owners and rental arrangements than other surveys provide, and Ms. Hutton stated that the new version of AELOS is nearly complete. Mr. Soren questioned how often each of the surveys is conducted, and Ms. Hutton responded that AELOS is on a 10-year cycle because of the comprehensive aspects of the survey; ARMS is annual, and the Census of Agriculture is conducted every 5 years.

Ms. Diller asked how each survey is conducted and what the rate of return is. Ms. Hutton responded that ARMS is a face-to-face interview with the producer and has about a 65 percent response rate; AELOS is mailed out and mailed back, and the response rate is about 70 percent. She added that the Census is also mailed out and mailed back, and the response rate for the last Census was 84 percent. Ms. Hutton also explained that collection on the Census does not stop until the response rate in each county is above 70 percent.

Committee members had additional comments/questions on the surveys. The paraphrased comments/questions and the presenters' paraphrased response(s) follows:

Mr. Ritter (comment): Many young farmers have off-farm jobs, and it is difficult for them to find the time to complete these surveys. Also, agriculture and ag-related issues (e.g. energy prices) are constantly changing, and information is often obsolete by the time surveys are released to the public. Historical information is not relevant.

Mr. Dodson (response): We are aware of these issues. Production variables and cash flow do change from year to year. However, the information still provides a baseline of the financial condition of farmers. Also, much of the information collected remains stable over time, such as the debt/asset ratios.

Ms. Diller (comment): Older farmers will not list production and asset information correctly because they believe it will have a negative affect on them.

Ms. Hutton (response): We are aware that different producers report differently and we are also aware of "respondent fatigue." As we process information, we bring more than 10,000 reports together from contiguous areas so that we can look at averages. We also use other "check" data to confirm accuracy. But, we are not saying the survey process is perfect.

Ms. Diller (question): Is there a way that the FSA local offices can be used to verify accuracy of data?

Mr. Bennett (response): In some parts of the country, yes. We attempt to get the surveys down to a bare minimum to prevent respondent fatigue. It is difficult to juggle competing issues of detailed information and respondent fatigue.

Ms. Hutton (response): With regard to timeliness of data, this year we attached a page to the weekly crop letter so that we could quickly monitor the energy price issue. The next Census is scheduled for 2002. The purpose of data collection is to benchmark and be able to tell what issues are shifting in agriculture.

Mr. Guzman (question): What about the use of Extension agents to obtain reliable data?

Ms. Hutton (response): We are organized into 45 field offices, and we, therefore, do have a local presence. Our personnel are likely in touch with CSREES staff.

Mr. Guzman (comment): People are hesitant to provide confidential information.

Mr. Escobar (response): Verification of information does occur with local people on an ongoing basis.

Mr. Barta (question): Where does the information regarding less than a 20 percent debt/asset ratio come from? It strikes me as a strong solvency ratio.

Mr. Dodson (response): It is a number for the entire sector. It is the average for all two million farmers represented in the Census of Agriculture.

Mr. Koenig (response): You have to factor in the farms that have no assets. We figure data by breaking out the information. The sector information is somewhat misleading. A debt/asset ratio of 23-24 percent is more meaningful.

Mr. Barta (question): The \$10,000 sales figure used in surveys skews the data. Can we set a limit on defining what is/is not a farm?

Ms. Hutton (response): We try to cross-tabulate data so that you can look at \$0 income operations up to \$1 million operations. There are 24 separate break outs. Very few people want to see a change.

Mr. Dodson (response): There is a lot of politics involved in changing the definition of a farm.

Mr. Falcone (response): FSA's definition of a family farm has not changed in my 25 years with USDA.

Ms. Hutton (response): There are a lot of implications in changing the \$10,000 limit. For

instance, it would wipe out a lot of farms in the State of West Virginia. Very few people want to see the number of farms decline, which would happen as a result of changing the definition.

Mr. Campbell (comment): The survey overestimates crops. It needs to be accurate. When it is in error, it is not corrected until after the damage is done.

Mr. King (question): Young, beginning farmers can't qualify for FSA farm ownership loans until after they have 3 years experience. This limits their access to financing when compared with established farmers. How does the survey look from a race and gender perspective?

Mr. Dodson (response): We are unable to answer that question right now. We can look at minorities and women, but not at minorities or women who are also beginning farmers. The sample size is too small.

Mr. King (question): Can you comment on the accessibility to credit for diverse groups?

Mr. Dodson (response): Steve Koenig and I have looked at some race and gender statistics. We can share that data with you sometime.

Mr. Escobar (question): Would the data show insolvency?

Mr. Dodson (response): Yes.

Mr. Dodson provided additional explanation on his Power Point slides, commenting specifically on the fact that even older, established farmers are losing money, and that a significant number of farmers are having trouble meeting their obligations. Mr. Dodson stated that credit is not a major source of capital and that operators are not relying on lenders for most of their capital. He indicated that a large portion of capital comes from land leasing or owner equity.

Ms. Diller (question): How is leasing considered capital?

Mr. Dodson (response): It is capital which is managed (by the operator).

Mr. Guzman (comment): It is important for us to recognize that food production is a matter of national security. We must sustain changes in agriculture, or we will be in trouble.

Mr. Falcone closed the floor to questions and introduced Jim Little, Acting Administrator for FSA. Mr. Little made a few brief comments. He concurred that food production is a matter of national security. He also expressed his interest in hearing the Committee's upcoming discussion about Aggie Bonds.

Mr. Falcone then turned the floor over to Mr. Wirth, who gave a brief presentation on Aggie Bonds and proposed legislation (Attachment 2).

AGGIE BOND LEGISLATION/STATE BEGINNING FARMER PROGRAM UPDATE

Following Mr. Wirth's presentation, Mr. Falcone commented that Illinois has the most Downpayment FO loans of any State. Mr. Wirth responded that this could be due to Illinois' network of lenders, the amount of risk in agricultural commodities produced in the State, and the dedication of FSA personnel.

Mr. Nelson then provided the following additional information on the Aggie Bond program:

- there are Aggie Bond loan programs in 16 States.
- Governor Bush of Florida vetoed legislation which would have allowed an Aggie Bond program in the State.
- the first Aggie Bond program was in Iowa, which has helped more than 2,700 farmers since it was implemented.
- a seminar is to be held in Chicago on August 22, 2001, on the nuts and bolts of the program and how to encourage State legislatures to get involved.
- Congress needs to pass a Bond Code Exemption so that agriculture can have access to funds. There is strong support for this in the House of Representatives. Mr. Nelson stated that they are waiting to see what happens with two proposed bills, S. 312 and S. 370.
- Mr. Nelson encouraged members to work with their State legislators to get State beginning farmer programs up and running. He stated that he would be glad to visit States to help further the cause, especially in large agricultural States that do not have an Aggie Bond program.

Mr. Wirth and Mr. Nelson then fielded questions from Committee members.

Mr. English asked about loan participations, and Mr. Wirth responded that Iowa has a program in which the State provides a portion of the financing and the lender finances the rest. The State's risk is ahead of the lender's, i.e., if the loan goes bad, the State loses before the lender.

Mr. Soren commented that the Aggie Bond portion of the law is very narrow. Ms. Diller offered that perhaps the simplicity of the Aggie Bond program was the reason it works so well.

Mr. Ritter commented that his bank has been using Aggie Bonds for a long time, and that the program is much simpler than FSA's loan programs (e.g., FSA takes longer; funding shortfalls). Mr. Soren commented that many banks want an FSA guarantee instead of an Aggie Bond despite the lower interest rate that is available with the Aggie Bond. He added that rules need to be changed to allow FSA guarantees on Aggie Bonds.

The floor was closed to questions on this topic. Mr. Falcone then mentioned an internet article, given to him by Mr. Blahosky, which encouraged people to fill out the Farm Credit System Foundation's "Study on Young and Beginning Farmers' Barriers to Success" (Study). Mr. Falcone then turned the floor over to Mr. Hays, who gave a brief presentation on the Study (see Attachment 3). The floor was opened to questions and comments from the group.

Mr. King asked about the Study's question regarding the lack of access to capital, and whether this is an issue with minority beginning farmers. Ms. Diller commented that it doesn't matter what your access to capital is; farming is a business and producers need to find a way to make it profitable. She added that there needs to be a focus on mentoring/volunteering to help young farmers succeed.

Mr. Campbell and Mr. Hays had a brief discussion about the Study question regarding owning land vs. leasing land. Mr. Hays also mentioned that there have been approximately 800 respondents to the Study.

Mr. Reed commented that all 50 States have land grant institutions which are supposed to be providing services to all people. He added that if we would utilize the services of the land grant institutions, we could deal with some of these issues facing beginning farmers.

The floor was closed to questions, and Mr. Falcone stated that there would be a change to the agenda: the review of the operating procedures and elections would follow the presentation by the Farm Credit Administration (FCA).

The group took a break for lunch and then Mr. Falcone gave the floor to Mr. Barta who introduced Mr. John Blanchfield of the American Bankers Association. The floor was then opened to public comments.

PUBLIC COMMENTS

Mr. Marinez and Mr. Garcia offered comments on Hispanic farmers. They provided the following information:

- The number of Hispanic farmers increased 100 percent within the last 10 years.
- The number of Hispanic farms is approximately 27,000 (47,000 if Puerto Rico is included).
- Ninety percent of new farmers in Michigan and Pennsylvania are Mexican.
- Hispanic farmers have little knowledge of USDA programs.

- CSREES provided funds to NASS to generate a pamphlet entitled “Characteristics of Hispanic Farm Operators” (Attachment 4).
- Often, Hispanic operators are mistaken for farm laborers at meetings.
- There is no significant outreach being undertaken to reach this segment of producers. New immigrants need to be taken into consideration when developing policy. The infrastructure is not there for these producers.
- Does farming experience in Mexico count when applying for USDA programs?
- Family members of Hispanic operators often obtain credit for the operator because of the operator’s poor credit. Agricultural surveys are then sent to the person who received the loan, but that person has no actual knowledge of the operation.
- In situations where there is a husband and wife operating the farm, the wife is often more involved in the operation and has more knowledge of it than her husband. However, agricultural surveys are typically completed by the husband, and information is, therefore, inaccurate.

Mr. Marinez and Mr. Garcia then fielded questions from the Committee members.

Mr. Soren commented that it seems like Hispanic farmers are facing the same problems that exist elsewhere, i.e., the young generation is not receiving needed assistance. Mr. Guzman stated that it is necessary to have proper tools in place to help these farmers, and that CSREES and other USDA agencies should come together to help. He also stated that there is no mechanism in place to help in the transition from the old to the new generation of farmers.

Mr. Marinez stated that the States with the greatest number of Hispanic farmers are:

1. Texas
2. California
3. New Mexico
4. Florida
5. Colorado
6. Washington

Mr. King asked if there is a partnership between the Department of Labor and USDA on seasonal farm workers. Mr. Marinez responded that there is not, but that there is a Department of Education program that helps Hispanics who finish 2 years of college.

Mr. Dodson commented that USDA has looked at the number of Hispanic operators and found that their numbers are growing at the same rate as the total Hispanic population. He mentioned that it is interesting that Hispanic operators are located throughout the country while other minority operators tend to stay in areas where they have been historically located.

Mr. Reed asked how we could account for the distribution of Hispanic farmers throughout the nation, and Mr. Dodson responded that it could be due to culture.

Ms. Diller asked Mr. Marinez how he would target the Hispanic population. He responded that (1) there needs to be more outreach and more bi-lingual staff who can work with these operators; (2) USDA materials and technical information need to be translated to Spanish and made available in all USDA offices; (3) we need to reach out to the Spanish-speaking press; and (4) focus groups should be developed to come up with additional ideas.

The floor was closed to questions, and Mr. Falcone introduced Mike Dunn, Director, Office of Policy and Analysis FCA, who was to give a brief presentation on FCA outreach to young, beginning, and small farmers and ranchers. At this point, Mr. Hays left the meeting room.

FCA PRESENTATION

Mr. Dunn commented that the work of the Committee is very important and necessary given the decline in the number of family-size farms. He introduced Barry Mardock, FCA Senior Quality Assurance Examiner, and John Moore, Chief Economist. He also introduced Cassius Johnson and Tasha Ponczek, FCA interns. Mr. Dunn then gave a brief presentation on FCA's service to Young, Beginning and Small (YBS) Farmers and Ranchers (Attachment 5).

He explained that FCA is a cooperative lending institution sponsored by the Federal Government to sell securities and help make money available for farmers. He added that FCA is mandated by Congress to provide assistance to young, beginning and small farmers and ranchers. Mr. Dunn stated that FCA solicited information from the Farm Credit System institutions across the country to determine whether YBS programs were working. They learned that all Farm Credit System institutions make use of the YBS programs in their territories.

Mr. Dunn then fielded questions from the Committee.

Mr. Hoefner asked why the use of the FSA guaranteed loan program among Farm Credit System institutions is so low when compared with commercial bank usage. Mr. Dunn responded that the guaranteed loan program had not been a priority in the past, and that they need to improve on the use of guarantees.

Mr. Barta commented that Farm Credit System institutions appear to want to work with only well-established farmers. Mr. Ritter offered that the Farm Credit institution in Illinois has stated that they do not make FSA guaranteed loans, and that there is basically no farm credit presence in the State. Mr. Dunn responded that there needs to be a mind-set change.

Mr. Dodson asked if FCA is looking at monitoring the racial mix of loans or at targeting funds. Mr. Dunn responded that they are not monitoring race per sé, but that FCA is monitoring YBS programs and will take action against discrimination. He added that FCA does not have a congressional mandate to monitor race. Mr. Moore explained that by law, FCA does not have the ability to ask race questions. But, the Board has authorized examiners to review YBS programs.

Mr. Hering asked how can FCA provide incentives to the Farm Credit System institutions.

Mr. Dunn responded that they assure that the environment is there to encourage lending to YBS farmers. Mr. Mardock added that in accordance with the goal-setting requirements of the Government Performance and Results Act, FCA established a goal to serve YBS farmers. If this goal is not met, they have to have adequate measures in place to correct the problem.

Ms. Ruhf asked whether the Farm Credit System institutions distinguish between young, beginning and small farmers. Mr. Mardock replied that they do. Ms. Ruhf also questioned whether results are available since the time FCA began its data collection, and, if so, whether the results are public information. Mr. Mardock explained that they do not yet have results. Mr. Dunn stated that beginning next year, a baseline will be established and data can be compared. He added that they are attempting to have information made available to the public which will be broken down by Farm Credit System institutions.

Ms. Ruhf also asked whether the public can put pressure on FCA to improve its outreach, since FCA is a quasi-government agency. Mr. Mardock responded that FCA does report to Congress which holds them accountable.

Mr. Dodson asked whether local service areas (under National Charters) will be required to follow the mandate to serve YBS farmers. Mr. Mardock replied that they would.

Mr. English asked if there was more information available now on the YBS program. He added that the minority farmers he has worked with do not hear much about Farm Credit System institutions. He added that higher equity farmers, rather than minorities, go to Farm Credit for loan assistance.

Mr. King mentioned that it has been a long time since he worked with minority farmers who received Farm Credit assistance. He asked if there was a mechanism in place to allow the formation of a group to serve the lending needs of producers in underserved areas. Mr. Dunn explained that 10 or more people can come together to form what is called an OFI or "Other Financial Institution." He added that OFIs have been around for a long time and reached their peak in the mid-1980s, when approximately 400 existed. He added that only 25-30 OFIs exist today.

Mr. Marinez commented that many farm populations are invisible within the local community. Ms. Diller asked how we could get information to these producers. Mr. Mardock offered that FCA will continue to put pressure on the Farm Credit System institutions and will continue to advocate the YBS programs.

The floor was closed to questions and Mr. Falcone then asked Mr. Hoefner to discuss the draft Beginning Farmer and Rancher Act of 2001 (Attachment 6). Mr. Hays returned to the meeting room.

DRAFT BEGINNING FARMER AND RANCHER ACT OF 2001

Mr. Hoefner explained that the draft Beginning Farmer and Rancher Act of 2001 is an evolving legislative proposal (with input from various interest groups) for the upcoming Farm Bill. After a brief explanation of the information contained in the proposal, Mr. Hoefner fielded questions from members.

Mr. Blahosky asked how the proposed grant program contained in the draft Beginning Farmer and Rancher Act of 2001 (Section 102- Beginning Farmer and Rancher Research and Extension Program) would be established. Mr. Hoefner responded that there would likely be a request for proposals (RFP) on the National level, and as the program grows delivery would be regional or State by State.

Ms. Prentiss asked how Mr. Hoefner came up with the proposed funding amounts. Mr. Hoefner stated it was based mostly upon the number of State Beginning Farmer Programs and the amount of funds that they use.

Ms. Diller asked about the possibility of establishing an information center where farm operators could go to obtain information on programs available under the draft Beginning Farmer and Rancher Act of 2001. She also asked about developing a mentoring program. Ms. Diller expressed concern that some of the programs in the draft legislative proposal were already available to farmers. Mr. Hoefner replied that the intent of the proposal is to build on what is already available. Ms. Ruhf added that there are two types of programs currently available: (1) those that are specifically targeted to beginning farmers, and (2) those that are relevant, but not targeted, to beginning farmers. Groups submitting grant proposals under the RFP would have to demonstrate that the purpose of their grant is not being accomplished elsewhere.

Mr. Diller asked about making a mentoring program mandatory for new producers to qualify for a beginning farmer loan. She mentioned that she had spoken with numerous producers in her area who said they would mentor a new farmer, free of charge. She continued by explaining her ideas for the mentoring program in more detail, indicating that it would be a mutually acceptable relationship for the mentor and farmer. Ms. Prentiss added that she had a similar suggestion from producers in California, i.e., a team of experts would be available to provide guidance on finance, risk, pest management, etc.

Mr. King commented that the Committee also needs to look at what programs provide a service similar to those in the draft Beginning Farmer and Rancher Act of 2001, and asked if FSA's definition of beginning farmer would apply in order to get funds. Mr. Hoefner responded that this was a good question. He had not thought about using the FSA definition, but commented that it would be the simplest thing to do.

Mr. Barta commented that CSREES should be involved in the establishment of any mentor pool, and that credit card debt with young farmers is a major problem. Mr. Ritter stated that he strongly supported a mentor pool. He also suggested that the Committee

consider recommending to the Secretary that the Downpayment program be re-established as a guaranteed loan Interest Assistance program. Mr. Wirth clarified that a guaranteed downpayment program could utilize bank funds, instead of Government funds, and FSA would add an enhancement in the form of Interest Assistance.

Mr. King suggested that the Committee consider an intermediary relending program in areas that are underserved. He added that such a program should be targeted to credit unions and other types of lenders, rather than banks.

Mr. Barta said that FSA's 50/50 loan program (FSA and another lender provide joint financing) is more beneficial to beginning farmers and ranchers than the downpayment program since the FSA portion of the loan is at a 5 percent interest rate for 40 years.

Mr. King mentioned that the draft proposal Mr. Hoefner was presenting did not address the Section 2501 program (Small Farmer Outreach Training and Technical Assistance). He was concerned with the mind set of the past and present Administration and Congress concerning minority needs.

There was a general discussion on the cost of the proposed legislation, and whether it had been "shopped around." Mr. Hoefner indicated it had been and he hoped to see it introduced in the Senate.

The floor was closed to questions and Mr. Falcone stated that members would now review the Committee's operating procedures and hold elections.

OPERATING PROCEDURES AND ELECTIONS

Mr. Falcone informed members that the existing operating procedures state that the Executive Committee include a Secretary, and that Mr. Soren was the Secretary under the previous charter.

Mr. Falcone asked if the members wanted a Secretary, since FSA is responsible for handling the meeting minutes. There was unanimous support to not include a Secretarial position in the election process.

A general discussion ensued as to whether or not the Chair-Elect under the previous charter automatically becomes the Chair under the new charter. After considerable discussion, it was determined that since the appointment of members expire when the Committee charter expires, which is two years from the date of the charter, the operating procedures needed to be amended. **Mr. Blahosky made a motion to revise the operating procedures to state that elections are held every two years and to change the term "Chair-Elect" to "Vice Chair." Mr. Guzman seconded the motion. Motion carried.**

Mr. Blahosky then nominated Ms. Ruhf as Chairperson. Mr. McAlpine seconded the nomination. Members named Ms. Ruhf Chairperson by acclamation. Ms. Diller nominated Mr. Barta as Vice Chair. Mr. Reed seconded the nomination. Members named Mr. Barta Vice Chair by acclamation.

Chairperson Ruhf initiated a discussion on the meeting with the Under Secretary scheduled for the next day. Mr. Hoefner suggested that members review the 12 recommendations from the May 31, 2000, letter to former Secretary Glickman to determine which of those issues should be presented in addition to formulating new ideas.

Mr. Barta asked if the goal of the meeting with the Under Secretary was to recap previous recommendations and inform the Under Secretary that the Committee was convening at the current time for a working session. Mr. Reed mentioned he was thinking along those same lines and that members should pick four or five issues to discuss with the Under Secretary. He indicated that this is what was done two years ago when members met with Deputy Secretary Rominger. Mr. Soren concurred. Mr. Blahosky asked if members would consider discussing legislative issues. Mr. Hoefner recommended they focus on legislative and administrative issues. Chairperson Ruhf suggested members look at previous recommendations and new initiatives.

There was general discussion on specific recommendations in the May 31, 2000, letter from Former Chairman Reed to the Secretary and on the draft Beginning Farmer and Rancher Act of 2001. It was determined that each member would bring several recommendations (old and new) to the meeting the next morning and Ms. Prentiss would categorize and prioritize them. Ms. Ruhf ended the meeting by saying that in the morning they would do an immediate agenda for the Under Secretary and then discuss long-term recommendations. The meeting adjourned at 5:20 p.m.

WEDNESDAY, JUNE 20, 2001
8:00 a.m.

Chairperson Ruhf called the meeting to order. She explained the day's schedule and a change to the agenda: the Committee would leave for its meeting with the Under Secretary at 12:45 instead of 11:45.

PUBLIC COMMENTS (continued)

Mr. Falcone reviewed the following written comments (Attachment 7):

- A discussion of the importance of business-management education for all farmers
Submitted by: Steve Metzger, Farm Business Management Education Instructor, Carrington Research Extension Center
- A request for a public/private partnership between the Holstein Foundation and the U.S. Government
Submitted by: Donna Beal, Executive Director, Holstein Foundation
- A request for information on the purpose of the Committee and update on the irrigation water issue in Klamath Falls, Oregon
Submitted by: Rachel Thomas, Huachuca City, Arizona
- A suggestion that Wisconsin's Youth Apprenticeship Program be used as a model to train young, beginning farmers
Submitted by: Marie Peterson, Production Ag. Youth Apprenticeship Coordinator, Wisconsin Agribusiness Foundation
- A request to change the funding cycle for FSA loans to a 5 or 7-year budget and change the test for credit and education/experience requirements
Submitted by: Linda Prentiss, California rancher and Committee member (on behalf of others)
- A request to change FSA requirements to make it simpler for the children of operators to qualify for loans
Submitted by: William Norris, FSA Cascade County Committee Member

Several members commented on the importance of business-management education for farmers, but indicated that there are obstacles such as cost, travel, willingness of farmers to participate, etc.

Mr. Falcone stated that he sent the request for a public/private partnership between the Holstein Foundation and the U.S. Government to CSREES for action.

Mr. King wanted to offer a public comment regarding limited resource and minority operators, but Mr. Falcone informed him that comments had to be received by June 15 to be considered. Mr. King then asked that the minutes reflect the importance of program support for limited resource and minority beginning farmers.

Discussion then ensued on the comments regarding the FSA funding cycle and other loan

criteria. Mr. Falcone explained that Congress authorized a direct line of credit for FSA loans in 1996, but OMB said that it would be cost-prohibitive. There was some general discussion about the test for credit requirements and producers' concerns that although a credit bureau report would not show a denial of credit, it would show a request for credit, which could lead one to believe that credit had been denied. There was a brief discussion of the experience requirements for FO loans.

Chairperson Ruhf then turned the discussion to the Committee's scheduled meeting with J.B. Penn, Under Secretary for FFAS, and the topics that should be addressed. After general discussion, it was agreed that the Committee would review the recommendations made at prior meetings, determine which items are a priority, and then decide which of the priority items should be discussed in the meeting with the Under Secretary. Then, the Committee would discuss additional recommendations and the draft Beginning Farmer and Rancher Act of 2001 (which contains most of the previous Committee recommendations, along with other issues) and determine if those items should also be raised at the meeting.

Mr Hoefner shared with the members a list he had prepared of the previous recommendations and the current status of each item (Attachment 8). A summary of the discussion on each recommendation follows:

1. Funding
Adequate funding for FSA loans.

Members discussed whether they should recommend a specific amount of funding for FSA's direct FO loan program or whether they should request "adequate" funding for the next fiscal year (FY). There was consensus that a specific number would be better, and that \$200 million would meet farmers' needs in FY 2002. The members agreed that this was a Priority 1 item. (It was the Committee's understanding that *Priority 1* items would be discussed with the Under Secretary; *Priority 2* items were to be tabled and discussed at a later time.)

2. Aggie Bonds
The Department of Agriculture should champion changes in the law concerning State "Aggie Bond" programs in the pending tax legislation.

**Motion: Mr. Barta offered a motion to accept this as a recommendation.
Mr. Guzman seconded the motion.**

Ms. Diller asked for clarification of how the Committee was proceeding, i.e., was there going to be a vote on each recommendation? Chairperson Ruhf asked if the members were comfortable with reaching consensus on the items. Members agreed to proceed by consensus.

Discussion on Aggie Bonds ensued. There was consensus among members that this was a Priority 1 item.

3. **Comprehensive Assessment of FSA Beginning Farmer/Rancher Programs**
USDA should conduct a comprehensive assessment of FSA beginning farmer and rancher programs (meeting with NASS, ERS, etc; include beginning farmers/ranchers in future research and extension competitive grant RFPs; allocate discretionary funds to a university, firm, etc., to conduct research on FSA loan programs to beginning farmers).

There was considerable discussion on the value of surveying farmers, the cost involved and what the planned use of the results would be. Consensus was reached that this was a Priority 2 recommendation. However, members agreed that including beginning farmers and ranchers in future competitive grants was a Priority 1 recommendation that should be raised in the meeting with the Under Secretary.

The Committee then broke from its discussion of the recommendations to hear from Deputy Administrator Cooksie, who had just arrived to sit in on a portion of the meeting. Ms. Cooksie spoke about staffing problems within FSA and the length of time necessary to fully train someone to make and service an FSA loan. She recommended that the staffing shortage be raised in the Committee's meeting with the Under Secretary. Ms. Cooksie also mentioned the upcoming Farm Bill and FSA proposals, and stated that an FSA Administrator is not yet in place. She then fielded questions from members on the topic of shifting direct loans to the private sector, office consolidation, cross-training, and customer service.

There was some additional discussion about the logistics of the meeting with the Under Secretary. Members agreed that Mr. Falcone would introduce the Committee and talk briefly about the legislation which established it. Former Chairman Reed would then talk about the previous recommendations which the Committee submitted to then Secretary Glickman. Chairperson Ruhf would then discuss the Committee's next steps.

Discussion continued on the recommendations.

4. **Federal/State Beginning Farmer and Rancher Partnerships**
USDA should become more involved in promoting Federal/State beginning farmer and rancher partnerships.

Mr. Blahosky suggested that another letter be sent to FSA State offices encouraging them to work with local officials to promote these partnerships. Mr. Wirth stated that MOUs are a good idea, but they are basically a formality in States where FSA and State Beginning Farmer Programs are already working together. Chairperson Ruhf emphasized that "Federal/State partnership" does not mean only Aggie Bond programs; there are other ways to encourage local lending to beginning farmers. There was consensus that this was a Priority 1 issue.

5. **Staffing**
USDA should assure that adequate, trained staff is available in FSA offices where heavy demand for loans is expected.

Members discussed the issue of cross-training and its advantages and disadvantages. Mr. Campbell stressed that the Committee needed to augment the human relations aspect of this recommendation, i.e., for FSA staff to improve upon its customer service. Consensus was reached to make staffing a Priority 1 issue, but that cross-training not be discussed except for a reference to improving customer relations.

6. **2501 Program**
USDA should continue to support full funding of the Small Farmer Outreach, Training and Technical Assistance (Section 2501) Program. (The Committee had specifically recommended that funding be increased to \$20 million for FY 2002. The Committee also recommended that USDA create sources for alternative financing where credit needs exist and remove impediments in FCA which prevent financing for underserved groups).

For the benefit of the new members Mr. King provided a brief explanation of the 2501 program and socially disadvantaged farmers. There was consensus that this was a Priority 1 recommendation.

With regard to the FCA issue, Mr. King pointed out that Mr. Dunn (FCA guest speaker on June 19) acknowledged that there is a void in assisting underserved groups by Farm Credit System institutions, and that Farm Credit System institutions should be encouraged to provide funding to underserved groups through OFIs. Mr. Hays stated that if the Committee recommends an obligation or opportunity for lenders, it should be for all lenders, not just for FCA or commercial banks. The Committee agreed that discussion on FCA lending to beginning farmers should continue, but that this part of the recommendation is a Priority 2 and should not be discussed in the meeting with the Under Secretary.

7. **Term Limits**
The Committee recommends the Secretary develop a legislative proposal to increase the term limits for direct operating loans from 7 to 10 years and eliminate disaster years from the calculation of the 10-year and 15-year limits for direct and guaranteed loans.

Members agreed that this issue merits further discussion. However, the recommendation was given a Priority 2.

8. **Interest Assistance (IA)**
The Committee urges the Secretary to take the appropriate steps to: utilize IA in States where it is not currently available; make beginning farmers a higher priority with regard to IA; and establish IA for 5 years to beginning farmers without requiring an annual review.

There was a brief discussion of the IA program. The Committee agreed that this was a Priority 2 recommendation.

9. Borrower Training

The Committee recommends that FSA undertake a comprehensive review of the borrower training program ...

There was consensus that this was a Priority 1 recommendation.

10. Downpayment Loan Program

The Committee recommends that the Secretary consider a legislative proposal to lengthen the repayment period for the FSA financed portion of loans made under the downpayment loan program.

There was consensus that this was a Priority 1 recommendation.

11. Crop Insurance

The Committee recommends that the Secretary support legislation to provide higher subsidy rates on crop insurance coverage to beginning farmers and ranchers, and to increase their actual production history to 110 percent of the county average so that they can obtain operating loans.

There was consensus that this was a Priority 2 recommendation.

12. Training for Young, Beginning Farmers and Ranchers

The Committee recommends that USDA design and encourage model programs to train high school students in farm operation and management in cooperation with Future Farmers of America, 4-H, Risk Management Agency, and other programs.

The Committee briefly discussed opportunities for high school and college students available through CSREES. Ms. Prentiss explained that CSREES offers competitive grants for secondary agricultural schools and two-year and four-year colleges. There was consensus that this was a Priority 2 recommendation, unless further discussion of mentoring and apprenticeships justified making it a Priority 1 issue. Chairperson Ruhf stated that apprenticeship and mentoring issues could be discussed later.

DISCUSSION (free-flowing)

Ms. Prentiss pointed out that the name of the Committee is the *Advisory Committee on Beginning Farmers and Ranchers*, and that ranchers should not be excluded from any reference in the Committee's discussion. The Committee concurred.

The Committee then discussed who would discuss the Priority 1 recommendations in the meeting with the Under Secretary. The Committee concurred on the following presenters and order of presentation:

- Funding/Staffing/Downpayment Loans - Terry Barta
- Federal/State Partnerships and Aggie Bonds - David Wirth
- 2501 Program - Calvin King
- Borrower Training - Linda Prentiss
- Comprehensive Assessment of Beginning Farmer Program/RFP for Competitive Grants - Ferd Hoefner

Chairperson Ruhf then asked members for ideas on how to strategize the draft Beginning Farmer and Rancher Act of 2001 in the meeting with the Under Secretary. Mr. Hays recommended that the Chair mention that the Committee is reviewing it and will be sending a copy to the Secretary. Mr. Campbell suggested that the Chair discuss the paper's concept, but not provide a copy of the draft.

The Chair then finalized the following agenda for the meeting with the Under Secretary:

1. Introduction/Committee purpose - Mark Falcone
2. History/previous recommendations - Hazell Reed
3. Why Committee is important - Chairperson Ruhf
4. Presenters
5. Wrap up/mention of draft Beginning Farmer and Rancher Act of 2001 - Chairperson Ruhf

Discussion ensued on recommendations (old and new) that members had given to Ms. Prentiss on the morning of June 20. Mr. Ritter suggested that these recommendations be recorded in the minutes. The Chairperson asked Ms. Prentiss to go over the recommendations. Ms. Prentiss, who had written all recommendations from the members on flip charts, explained that she had divided ideas into various categories, including those that would require legislative (L), regulatory (R) or administrative (A) changes. Following are the categories and recommendations discussed (many of these had been mentioned at other times during the meeting):

Monetary Issues

1. Expand FSA Downpayment FO Loan Program. (L)

Discussion: Mr. Barta clarified that by "expand," the required downpayment would decrease from 10 percent to 5 percent; the FSA-financed portion of the loan would increase from 30 percent to 40 percent of the purchase price or appraised value of the property; and the repayment term on the FSA-financed portion of the loan would increase from 10 years to 25 years. A later recommendation on this program included changing the maximum

county average acreage requirement (25 percent) in the beginning farmer definition.

Mr. Blahosky expressed his disagreement with the recommendation, stating that funding for these loans is always very limited and, therefore, it does not make sense to increase the FSA-financed portion to 40 percent.

2. Allow local lenders to make FSA direct loans. (L)
3. Review the direct loan limit. (L)
Discussion: Mr. English stated that the \$200,000 limit is too low.
4. Eliminate FSA term limits. (L)
5. Expand the Interest Assistance program to include FO loans. (L)
6. Adequate funding for FSA loan programs. (L)
7. Continuous funding stream to prevent funding shortfalls. (L)
8. Separate Aggie Bonds from Industrial Revenue Bonds and allow FSA guarantees on Aggie Bonds; also target beginning farmers/ranchers. (L)
9. Increase FSA loan guarantees to include leases and land contracts. (L)

Following are additional recommendations offered by various Committee members and recorded by Ms. Prentiss. Time constraints prohibited discussion on these topics.

Mission Statement

Endorse the draft Beginning Farmer and Rancher Act of 2001 to provide a robust, systematic approach that meets the needs of beginning farmers and ranchers through credit programs, continuing education, and research.

Training (from FSA and constituents)

1. Continuing education (R, A)
 - customer service
 - minority sensitivity
 - new farmers
 - language/culture
2. Pre-Outreach (R)
 - training in minority needs (region specific)
3. Encourage survey completion and accuracy (R)
4. Volunteer panel of experts

5. Define 3 years experience to include equivalent (for operating loans - R; for farm ownership loans - L)
 - e.g., 2 years education = 1 year experience (ag related)

FSA Rules

1. Streamline FSA workload (R, A)
 - review requirements
 - computer/on-line applications
2. Review *age vs. beginning* rule (R)
 - displaced “city” workers returning to farm
3. Review credit test (L and R)
 - The requirement of 3 denials may damage an individual’s credit rating because of credit bureau reporting.

Risk Management Agency

1. Develop tools and curricula targeted to beginning farmers and ranchers. (A)

Other

1. Promote further analysis of relevant data. (A)
2. Research tenure and farm succession models and options. (A)

MEETING WITH UNDER SECRETARY PENN

The Committee met with Under Secretary Penn for 45 minutes. Mr. Falcone briefly described the law which established the Committee, the Committee’s purpose, and USDA’s beginning farmer and rancher programs. Members then introduced themselves.

Mr. Reed discussed recommendations from previous Committee meetings and emphasized that many of the recommendations remain a concern to the current Committee.

Chairperson Ruhf noted the importance of beginning farmers in the context of an aging American agriculture. She also stated that these farmers are vital to the future of rural communities. Ms. Ruhf also commented briefly on the age of farmers and the number of acres of farmland which will be changing hands in the next several years.

Each of the speakers (Mr. Barta, Mr. King, Ms. Prentiss, Mr. Wirth, and Mr. Hoefner) gave a short presentation on their assigned topic.

Ms. Ruhf then briefly discussed the draft Beginning Farmer and Rancher Act of 2001 and stated that the Committee would be considering new ideas in addition to those discussed by the five speakers.

Under Secretary Penn then offered an overview of the Administration's position on the agricultural policy. He stated that many of the same issues seen as detrimental to agriculture 20 years ago are still being discussed today. Under Secretary Penn indicated that the House of Representatives hopes to mark up the Farm Bill before the August recess. He stated that he was not sure what the Senate's time table is, given the recent change to a Democratic majority in that chamber. He indicated that it is the Administration's intent to develop the commodity and natural resources titles to the Farm Bill by mid-July.

Under Secretary Penn stated that the Administration is focused on markets and free-trade, but that they recognize that specific policies must be developed that will be in the long-term interest of the food and agricultural industries. He also mentioned that the Administration wants the expenditure on agriculture to be as small as possible.

Under Secretary Penn stated that he does not think agriculture is headed down the right path and that this Administration will try to suggest a better way to achieve our objectives. He mentioned that many farms are likely being adversely affected by current policy and that we need to start looking at farming from a broad perspective.

The Under Secretary mentioned the importance of non-farm income to the success of farmers, and that farmers need to be a more integral part of the food system; e.g., involved with niche markets, etc. He added that in addition to the budget baseline, there is \$175 billion in mandatory funding available for the agricultural community in the next 10 years.

Under Secretary Penn added that despite the negative things being said about the agricultural economy, land prices and cash rents have increased in all regions of the country every year since 1995. He also stated that there is whole new dynamic in agriculture because of the amount of discretionary money available and the numerous interests competing for those funds.

The Under Secretary concluded by saying that the Farm Bill is on a fast track and that he would be glad to consider proposals from the Committee. He invited the Committee to send suggestions/proposals to him for consideration within 2 weeks.

CONTINUED DISCUSSION ON RECOMMENDATIONS AND DRAFT BEGINNING FARMER AND RANCHER ACT OF 2001

The Committee reconvened at the hotel to continue its discussion on recommendations and the draft Beginning Farmer and Rancher Act of 2001.

Mr. Blahosky suggested that the Committee dedicate the remainder of the meeting to discussing the draft Beginning Farmer and Rancher Act of 2001, since Under Secretary Penn provided the Committee an open invitation to submit proposals for his consideration. Mr. Barta expressed his

agreement and asked Mr. Hoefner and the USDA officials in attendance to let the Committee know during the course of their discussion when a Committee recommendation would be unlikely to gain approval.

Chairperson Ruhf suggested that the Committee focus on a 2-step process: (1) the draft Beginning Farmer and Rancher Act of 2001 and (2) an overall recommendation letter to the Secretary. Mr. Blahosky suggested a letter to the Secretary be written via a general discussion of issues among members over e-mail.

Mr. Soren stated that he thought the Committee was spending a lot of time on credit issues and may need to focus on other areas, including the fact that large farmers are getting most of the direct Government payments. Mr. Ritter offered that risk management and borrower training had been discussed and that these tools provide some protection to farmers. Mr. Falcone added that Ms. Cooksie's testimony to both the House and the Senate committees on agriculture mentioned that farmers need some type of financial assistance besides loans to survive, and that the Committee may want to look at the equity proposal included in the draft Beginning Farmer and Rancher Act of 2001.

There was consensus among the members that discussion should proceed on each title of the draft Beginning Farmer and Rancher Act of 2001.

CONTINUED DISCUSSION OF THE DRAFT BEGINNING FARMER AND RANCHER ACT OF 2001

Title 1 - Research, Training and Outreach

Section 1 - Beginning Farmer and Rancher Development Program

Chairperson Ruhf summarized Section 1 of Title I, stating that this section offers non-credit opportunities to deliver new programs and services to beginning farmers and ranchers. There was a discussion on how grant proposals are reviewed.

Section 2 - Beginning Farmer and Rancher Research and Extension Program

Chairperson Ruhf pointed out that this section is different from Section 1 in that it is more research-related, while Section 1 focuses on technical assistance.

Mr. Soren asked how this research is different from what land grant universities do. Mr. Hoefner responded that these are integrated programs, and there is a different funding source. Mr. Soren continued by stating his concern that land grant institutions seem to be shifting their focus from small farmers. Mr. Reed acknowledged that this is true because of the population shift from rural to urban areas during the 1940s-1970s, and the fact that many representatives in Congress are from urban areas and are not familiar with agriculture. Mr. Reed emphasized the need to educate elected officials on agricultural issues.

The Committee's discussion reverted back to Section 1 when Ms. Diller commented that although many of the proposed programs in this section currently exist and are offered by local Farm Bureaus, farmers do not use them. She emphasized the importance of apprenticeships for beginning farmers and ranchers and added that Government funds should not be allocated when existing programs are not being used.

Mr. King stated that there is a void when it comes to programs that are available for limited resource, small and beginning farmers. He added that more emphasis needs to be placed on this segment of farmers.

Mr. Soren commented that the Farm Bureau in South Dakota does not offer all of the items that Ms. Diller mentioned.

Mr. Reed commented that some programs addressed in Section 1 are already in place (but not available in all areas). He made reference to the Extension Service, where he worked for seven years, and the Land Grant institutions.

Chairman Ruhf emphasized that sections 1 and 2 of the draft Beginning Farmer and Rancher Act of 2001 were not intended to use public funds towards programs that are offered elsewhere, but to support programs, such as land linking, that are underfunded.

Motion: Mr. Blahosky offered a motion that the Committee endorse Title I of the draft Beginning Farmer and Rancher Act of 2001, including all four sections of the Title. Mr. Guzman seconded the motion. Discussion ensued.

Chairperson Ruhf briefly summarized Section 3 (Fund for Rural America) and Section 4 (Initiative for Future Agriculture and Food Systems) of Title I. Mr. King suggested that limited resource and minority farmers be included as a free-standing item in Section 1 of the proposal.

The motion carried. Ms. Diller abstained from the vote.

Title II - Credit Programs

Section 1 - Reservation of Loan Funds for Beginning Farmers and Ranchers

Mr. English and Mr. King commented that the loan amount for FSA loans should be increased to at least \$400,000. Mr. Falcone and Mr. Dodson clarified that if loan amounts were increased, FSA would run out of funds sooner and fewer farmers would receive assistance.

Mr. Hays suggested that increasing the loan amounts not be included in the draft Beginning Farmer and Rancher Act of 2001, but that it be included in the Committee's letter to the Secretary. Members agreed to discuss this issue at a later time.

Section 2 - Transfer Authority

Mr. Hoefner provided a brief explanation on this section and mentioned that it was a way to prevent funds from going unused.

Mr. Blahosky asked if it would be appropriate to discuss bridge loans in this section. Mr. Falcone responded that FSA has drafted a legislative proposal that would allow the use of FSA direct funds to refinance bridge loans when the bridge loan was made because FSA funds were exhausted.

Section 3 - Beginning Farmer and Rancher Downpayment Loan Program

Members agreed that the term of the FSA loan should be extended to 20 years and that the size of the FSA-financed portion should be 40 percent of the purchase price or appraised value of the farm.

Mr. Blahosky questioned the 5 to 10 percent range for the downpayment. Mr. Dodson suggested that the Committee consider language which would allow the borrower to put down "not less than 5 percent of the purchase price." There was a general discussion on loan rates and terms.

There was a general consensus among members that the interest rate for the FSA-financed portion of the loan remain at 4 percent. Mr. Hoefner suggested they try for 3 percent.

Section 4 - Interest Assistance Guaranteed Loans

Mr. Barta asked Mr. Falcone whether there would be support within USDA and elsewhere for Interest Assistance on FOs. Mr. Falcone commented that it would be unlikely. Mr. Hoefner added that someone in Congress would need to champion the idea, but that even then, it would not be easy to get authorizing legislation passed.

Section 5 - Aggie Bonds

Since the Committee had agreed earlier in the meeting to move forward with the Aggie Bond issues as a recommendation, there was consensus to move on to Section 6.

Section 6 - Inventory Land Sales

There was little discussion on this section.

Section 7 - Borrower Training

Mr. Hoefner suggested that the last item in this section (“make recommendations for model programs, with a report due to Congress within two years of enactment”) be removed since it was an administrative item. He recommended that it be included in a separate letter from the Committee to the Secretary. The members concurred.

Mr. Barta commented that he was concerned about the provisions which would restore “the application of borrower training to beginning farmer and rancher guaranteed borrowers.” He stated that the lender should be responsible for determining whether the applicant farmer/rancher has sufficient education and experience. Mr. Hays offered that FCA would likely feel the same way about this provision. Mr. Hoefner stated that if public funds are at stake and farmers need training to have successful operations, they should take the training.

A general discussion ensued concerning training for beginning farmers and ranchers who receive guaranteed loans. Some members thought that training should be required for these borrowers, while other members thought this decision should be left to the lender’s discretion. It was agreed that the proposed language on training for beginning farmer and rancher guaranteed borrowers be removed.

Section 8 - Beginning Farmer and Rancher Equity Assistance

There was general consensus that this type of program is needed for small, beginning and limited resource/minority farmers and ranchers and it was endorsed with minor revisions.

Section 9 - Land Contracts

Mr. Blahosky stated that this issue should be disregarded, as FSA should only provide guarantees to lenders, not private land sellers. After a general discussion, it was decided to consider it as a pilot project.

Section 10 - Value-Added Farm Co-op Loan Program

There was consensus to shape this as a pilot project.

There was a general discussion about including more issues under this title (Title II). One suggestion was an FSA guaranteed lease pilot program. Another would allow FSA to use direct FO loan funds to refinance loans that lenders made to a farmer or rancher when a “50/50” participation loan or Downpayment loan had been approved but FSA was out of direct FO funds.

Motion: Chairperson Ruhf entertained a motion to endorse Title II and move on to Title III. Mr. Guzman seconded the motion. Ms. Diller thought the Committee was still amending the draft Beginning Farmer and Rancher Act of 2001 and endorsing it in spirit. Mr. Hoefner stated that he would redraft the proposal and e-mail it to members. Mr. Wirth recommended that

the Committee endorse the concept. Chairperson Ruhf suggested it be endorsed as a draft and that it is still a working document. Ms. Diller recommended the Committee vote on it, have it redrafted, and move on. Chairperson Ruhf stated that Mr. Hoefner will revise the proposal and send it to members for comment; then it will be sent to the Under Secretary as a working document. **The motion was unanimously approved.**

Title III - Amendments to Risk Management, Conservation, and Rural Business and Cooperative Development Programs

Section 1 - Crop Insurance

This section recommends that beginning farmers receive a premium discount under certain conditions. A general discussion ensued and it was decided to drop this Section from Title III.

Section 2 - Risk Management Education

Chairperson Ruhf mentioned that this section targets education programs to beginning farmers. Everyone agreed on this issue.

Section 3 - Farmland Protection Program

There was strong support for this issue.

Section 4 - Conservation Incentive Programs

There was a brief discussion, and members decided to endorse this issue with minor changes.

Section 5 - Rural Business and Co-op Development Programs

This section was agreed upon as written.

Section 6 - Farm Co-ops

There was consensus to remove this section from Title III.

By this point in the meeting, several members had departed for the airport. Chairperson Ruhf referred to the recommendations on the flip charts. She suggested that members e-mail her and describe the recommendations in more detail if they were not satisfied that they had been adequately covered during the course of the meeting. Chairperson Ruhf stated that she would draft a letter incorporating issues from the morning discussion and those taken from the flip charts, and that the minutes would reflect everything on the charts.

Motion: Mr. Hays made a motion to endorse the entire draft Beginning Farmer and Rancher Act of 2001. Ms. Prentiss seconded the motion. It passed unanimously.

Chairperson Ruhf stated that Mr. Hoefner, and any other members who wished to help, will amend the draft Beginning Farmer and Rancher Act of 2001 and e-mail it to members for their review. Mr. Hoefner indicated that he would make the proposed changes and e-mail the revised draft by June 22nd. He asked that comments on the revisions be sent to him by June 29th so that the letter could be sent to the Under Secretary within the requested two-week time frame.

Chairperson Ruhf stated that she would prepare a letter to Under Secretary Penn, with a partial set of recommendations geared towards the draft Beginning Farmer and Rancher Act of 2001. She also indicated that she would prepare a letter to the Secretary addressing the draft Beginning Farmer and Rancher Act of 2001 and other issues discussed at the meeting.

Chairperson Ruhf asked members their general views and thoughts of the meeting. The meeting adjourned at approximately 5:30 p.m.