

MEETING MINUTES

ADVISORY COMMITTEE ON BEGINNING FARMERS AND RANCHERS

**ADAMS MARK HOTEL, FOURTH AND CHESTNUT, ST. LOUIS, MISSOURI
MONDAY, MAY 6, 2002
1:15 p.m.**

WELCOME

Kathy Ruhf (New England Small Farm Institute, Massachusetts), Chairperson of the Advisory Committee on Beginning Farmers and Ranchers, called the meeting to order at 1:15 p.m., May 6, 2002. Chairperson Ruhf welcomed all committee members and visitors in attendance. Some members had not yet arrived due to weather conditions.

Committee members in attendance included Terry Barta (Smith County State Bank and Trust Company, Kansas), Michael Campbell (farmer, Illinois), Juan Guzman (Groves Operation Manager, Florida), John Hays (The Farm Credit Council (FCC), Washington, D.C.), Carnell McAlpine (Farm Service Agency (FSA), Alabama), Nancy New (FSA, New York), Linda Prentiss (rancher, California), Hazell Reed (Delaware State University), Richard Ritter (Flanagan State Bank, Illinois), Wayne Soren (farmer, South Dakota), Russell Washington (Clemson University Extension Service, South Carolina), and David Wirth (Illinois Farm Development Authority).

Department of Agriculture (USDA) employees from Washington, D.C., who were in attendance included Mark Falcone, Designated Federal Official (DFO) for the Advisory Committee on Beginning Farmers and Ranchers (FSA, Loan Making Division), Charles Dodson (FSA, Economic and Policy Analysis Staff), Linda Baker (FSA, Loan Making Division), and David Zimmerman (FSA, Loan Making Division).

Members of the general public on the agenda who were in attendance included Robert Coleman and John Moore, both from the Farm Credit Administration (FCA), and Dan Gieseke, FSA Farm Loan Chief, Missouri.

OPENING REMARKS

Chairperson Ruhf briefly covered the planned agenda for the meeting. She mentioned that Committee member Ferd Hoefner would discuss the provisions of the 2002 Farm Bill in detail during the course of the meeting.

Chairperson Ruhf called for a motion to approve the minutes from the last meeting. Wayne Soren made the motion to accept the minutes, and Juan Guzman seconded it. The motion was approved unanimously.

Chairperson Ruhf stated that there was a very full agenda to cover, and that she would add 30 minutes to the end of the day if it was needed to cover all of the items on the agenda.

Chairperson Ruhf introduced Mark Falcone, who welcomed everyone, and covered some logistical details concerning travel for Committee members. He then spoke of a Time magazine article about the “coming job boom” listing the hottest and coldest job areas in the country through 2010. The Number One “cold job” listed was “farmers and ranchers”, with a projected decline of 328,000 jobs. Mr. Falcone then turned the floor back to Chairperson Ruhf.

MEMBER ACTIVITY REPORTS

Chairperson Ruhf called for member updates on activities since the last meeting of the Committee. The paraphrased member responses follow:

Mr. McAlpine stated that he had been busy following up on “Pigford v. Glickman” (class action lawsuit by African-American farmers against USDA) and its effect on the disappearing Black farmer. He had looked at FSA office activities in certain states concerning allegations resulting from the Consent Decree.

Mr. Reed expressed his constituents’ interest in the 2002 Farm Bill proceedings.

Mr. Guzman mentioned he had been following the State of Florida involvement in a proposed Aggie Bond (Beginning Farmer) program.

Mr. Wirth stated he would make comments during his scheduled presentation in the next hour.

Mr. Campbell expressed his interest in the Farm Bill.

Mr. Soren stated that he had been working with Senator Daschle’s office on Farm Bill issues, including beginning farmer provisions.

Mr. Barta said he was working to help beginning farmers obtain assistance through the FSA Guaranteed Loan Program and Kansas Developmental Financing Authority.

Ms. Prentiss stated that she had been meeting with FSA in three counties in California to identify ways to expedite the loan application process. She expressed a concern with the annual record keeping requirements. She also addressed concerns with the wide difference in land values and production capability in California and across the United States. She stated that ways must be found to sustain farmers and ranchers already in business.

Mr. Ritter expressed concerns with the lack of FSA direct farm ownership (FO) funding in the counties he was working with.

Mr. Hayes said he would give a presentation in the next hour. He mentioned that on May 7, 2002, as Vice-President of the Farm Credit System (FCS) Foundation, Inc., he would meet with various organizations interested in creating a partnership to provide funding, matched by the Kellogg Foundation, to establish a National Beginning Farmer Training Program (to include new immigrant farmers and ranchers). The FCS Foundation, Inc., a non-profit entity, is looking at 10 to 15 sites for this training, and would like for every state to have a Beginning Farmer Resource Center. The goal is to have \$1.5 million in funding.

Mr. Washington stated that he had found that successful members of the class action lawsuit were having problems with FSA assistance (earlier mentioned by Mr. McAlpine).

Ms. New said that she had been working with Chairperson Ruhf on a number of initiatives for beginning farmers and ranchers. They are looking at getting new and beginning farmers and ranchers into the NY Farm Net, an information, referral, and consulting program for New York's farming community. She also mentioned working with the Green Market Program out of New York City, which came into the forefront because of the terrorist attack on September 11, 2001. Many immigrant farmers lost their markets and had no access to credit. They didn't have green cards and need to get them to have access to FSA loans.

Chairperson Ruhf mentioned the Growing New Farmers Project, funded by the USDA's Initiative for Future Agriculture and Food Systems (IFAFS) competitive grant program. Now in its second year, it is a multi-faceted project that includes three research projects, policy analysis, professional development, on-line learning, program development, mini-grants and a website, www.northeastnewfarmer.org. She mentioned that over 150 organizations and agencies in the twelve NE states have signed on as GNF Consortium members to serve and advocate for new farmers in the NE region.

Chairperson Ruhf then asked the guests and others in attendance to introduce themselves. John Moore, Robert Coleman, Dan Gieseke, Linda Baker, and David Zimmerman briefly introduced themselves to the Committee.

Charles Dodson stated that he had been working on various aspects of the Farm Bill. He said that he has had access to several studies done by USDA's National Agricultural Statistics Service (NASS). Chairperson Ruhf asked Mr. Dodson if the public could ask him for assistance since he had access to the studies. Mr. Dodson replied that NASS has a website if the public wants specific information.

Committee member Henry English (Arkansas Small Farmer Outreach, Training and Technical Assistance Project) arrived at 1:45 p.m.

FCA PRESENTATION

Chairperson Ruhf introduced John Moore, FCA Chief Economist, and Robert Coleman, FCA Senior Policy Analyst. Mr. Moore thanked the Committee for the opportunity to speak. He stated that he would discuss the emphasis being placed on Young, Beginning, and Small farmers (YBS) by FCA and that Mr. Coleman would then address the General Accounting Office (GAO) Report concerning FCA's oversight of YBS.

Mr. Moore mentioned he wanted to provide an update as to what FCA had done since the last Advisory Committee meeting, which he and other FCA officials attended. He explained that FCA was the financial regulator for the Farm Credit System (FCS), whose role is to ensure the safety and soundness of the program, and also to monitor mission accomplishment. He stated that a specific component of the Farm Credit Act of 1971 made a vague reference to beginning farmers and ranchers. The Act was amended in 1980 to require service to YBS. In 1998, the FCA Board adopted a Policy Statement on serving YBS.

Mr. Moore showed and elaborated on the presentation "The Increased Emphasis on the YBS Mission" (Attachment 1). The presentation explained FCA's prior actions related to its 1998 Board Policy Statement on YBS. He discussed the recent significant events that had an impact on that emphasis: 1) Chairman Michael Reyna's speech before the FCC in January 2002, which a) emphasized an increased focus on the mission, especially the YBS component, and b) publicly acknowledged several successful associations for their YBS programs and others for their use of government guaranteed funding programs (information is available on the website at www.fca.gov); and 2) the GAO Report "Oversight of Special Mission to Serve Young, Beginning, and Small Farmers Needs to Be Improved."

Committee member Calvin King (Arkansas Land and Farm Development Corporation) arrived at 1:55 p.m.

Mr. Moore handed out and discussed a table on "Farm Credit Lending to Young, Beginning, and Small Farmers and Ranchers for the Year Ending December 31, 2001" (Attachment 2). He mentioned that 17 percent of loans outstanding are with young farmers and ranchers, 21 percent with beginning farmers and ranchers, and 55 percent with small farmers and ranchers. There was a general discussion on the various numbers and Mr. Moore mentioned that there is an overlap in each category as a young farmer and rancher could also have been counted as beginning and/or small.

Mr. Moore then showed a PowerPoint slide of information pertaining to FCA of Eastern Missouri, ACA, to show what the loan data looked like for an individual lending entity.

Mr. Coleman then discussed the March 2002 GAO Report sent to Congress titled "Farm Credit Administration—Oversight of Special Mission to Serve Young, Beginning, and Small Farmers Needs to Be Improved" (Attachment 3). He stated that the report had

been prepared in response to concerns expressed by members of Congress, and that FCA understands and agrees with the report and its recommendations and either has or will take action to comply. The FCA response includes two phases: 1) Immediate action - Enhance the examination of YBS programs; and 2) Long-term action - Develop options to strengthen oversight of the FCS's statutory mission.

Mr. Coleman then continued his presentation (Attachment 1) discussing the GAO recommendations and what the FCA has done or will do.

The floor was opened for comments. The paraphrased questions/comments and the presenter's paraphrased response(s) follow:

Mr. Ritter (question): FCS in Illinois is not very active on programs for young farmers and ranchers. What happens if they don't participate or comply?

Mr. Coleman (response): FCA could create regulations to set specific standards. Examiners will be required to look for compliance with the standards once they are set.

Mr. Moore (response): We acknowledge that we could work better in the area of FSA guaranteed loans. We encourage Farm Credit Institutions to work closer with the FSA. Use of FSA guaranteed loans is widespread. More than 90 percent of institutions are using the FSA Guaranteed Loan Program.

Mr. Falcone (comment): Next month FSA will hold a Stakeholders' Meeting. This could be part of the agenda. John Hays will attend.

Mr. Moore (response): 2.4 percent of the loans (\$1.45 billion) made to FCS farmers are guaranteed by FSA.

There was a general discussion between Mr. Moore and various members relating to the age, number of years operating, and income criteria for YBS. Some members were concerned that FCS data collection for YBS overlapped, as each loan could be counted in more than one of the three categories.

Mr. Dodson (question): What criteria are used to place partnerships into your categories?

Mr. Moore (response): They have to be full partners in the operation. Everyone who benefits is counted. If you have a 60-year-old partner and a 30-year-old partner, and the junior partner was a co-signer, then that counts as a loan to a young farmer.

Mr. Dodson (question): What if the junior partner didn't sign the loan?

Mr. Hays (response): They must be a legal debtor to be counted.

Committee member Ferd Hoefner (Sustainable Agriculture Coalition, Washington, DC) arrived at 2:35 p.m.

Mr. King (question): What is the representation of minorities within these categories?

Mr. Moore (response): We don't track that information. We cannot require lending institutions to obtain that information.

Mr. Coleman (response): We don't have a statutory requirement like FSA does to track that information, but we do not tolerate discrimination.

This concluded FCA's presentation. There was a general discussion among the Committee members as to what FCA's next step would be based on the options listed by FCA in Attachment 1. Chairperson Ruhf suggested that the Committee members 1) as individuals, follow up on any public comment process, and 2) look at what they can do as a group concerning recommendations. Mr. Coleman stated that FCA would welcome any Committee comments.

MARK FALCONE'S PRESENTATION

Mr. Falcone showed a presentation highlighting USDA activities which focus on beginning farmers and ranchers (Attachment 4). Such programs involve the Risk Management Agency (RMA), the Cooperative State Research, Education, and Extension Service (CSREES), the Rural Business Cooperative Services, the Office of Outreach, and FSA.

Committee member Gary Blahosky (Rural Finance Authority, Minnesota Department of Agriculture) arrived at 3:00 p.m.

DAVID WIRTH'S PRESENTATION

Mr. Wirth gave a presentation (Attachment 5) covering the work of the National Council of State Agriculture Finance Programs, proposed legislative initiatives on agricultural bond issues, and the GAO report previously mentioned in the FCA presentation. He mentioned that he met with FCA Chairman Reyna in March to discuss the GAO audit, and that FCA had a real interest in doing something to help YBS. He ended his presentation with a brief discussion of how FCS is uniquely qualified to help beginning farmers and ranchers.

JOHN HAYS'S PRESENTATION

Mr. Hays distributed a handout titled "Highlights of Barriers to Success Recommendations" (Attachment 6), which summarized a nationwide survey conducted by the FCS Foundation, Inc., prior to beginning his presentation. He spoke of the various barriers as problems with a lack of access to credit, information, markets, and land, and

actions that need to be taken by Congress and USDA. He finished with a list of observations gained from the study.

A general discussion followed relating to ways that small and beginning farmers and ranchers may benefit from value-added production. Concerns were addressed that those producers do not have access to credit and need incentives, subsidies, or tax credits to be able to join value-added cooperatives.

Chairperson Ruhf asked who responded to the survey and what were the demographics and geography of the survey.

Mr. Hays responded that approximately 700 surveys were received, and the majority of the respondents were white. Minorities comprised about 10 percent of the respondents, and Texas had the largest number of respondents.

Chairperson Ruhf called for a break at 3:50 p.m.

The meeting reconvened at 4:05 p.m.

UPDATE ON RESPONSE TO LETTER TO THE SECRETARY

Chairperson Ruhf took the floor to discuss the October 1, 2001, letter to the Secretary of Agriculture (Attachment 7) concerning the 12 recommendations that were made by the Committee last year, and the April 8, 2002, response from Deputy Secretary Moseley (Attachment 8). There was a brief discussion concerning the response, which stated that many of the Committee's recommendations had been incorporated into the provisions of either the House or Senate version of the Farm Bill, under debate at the time of the letter.

FURTHER MEMBER ACTIVITY REPORTS

Chairperson Ruhf requested that the Committee members who arrived late introduce themselves and update the Committee on their activities.

Mr. Hoefner stated that he had been continuously working on the Farm Bill in the last year.

Mr. Blahosky said he had been working with the State Department of Agriculture in Minnesota on the Aggie Bond program.

Mr. English mentioned restrictions on helping farmers and ranchers due to FSA loan limitations and their personal finances (fourth year of low prices and drought), and bankers not using the FSA guaranteed loan program. He said this had been one of the toughest years working with farmers and ranchers.

Mr. King reported that he had concentrated on the conservation programs provided in the Farm Bill. He worked with specific initiatives to ensure that they fit the needs of small

and beginning farmers. He also had concerns about the “Pigford v. Glickman” lawsuit where black farmers’ cancelled debt was considered taxable income by the IRS, and that minority farmers are still not treated fairly.

DISCUSSION OF THE 2002 FARM BILL

Chairperson Ruhf introduced Ferd Hoefner and expressed the Committee’s gratitude for his hard work in championing beginning farmer provisions in several titles of the 2002 Farm Bill.

Mr. Hoefner distributed two handouts covering the Beginning Farmer/Rancher and Related Provisions of the 2002 Farm Bill (Attachments 9 and 10). He stated that the House passed the Farm Bill last week, and that the Senate was expected to approve the Bill by a large vote on Wednesday, May 8, 2002. He then stated that anything that is in the Farm Bill that is somehow related to beginning farmers, even indirectly, is covered in the handouts. He briefly discussed the contents of each handout, and stated that he would work through the handout titled “Beginning Farmer/Rancher and Related Provisions of the 2002 Farm Bill” (Attachment 9) first. He further stated that Senators Harkin and Lugar, both ranking members, showed great leadership in sponsoring all of the major provisions of the Farm Bill.

He then began a detailed discussion of **Title II-Conservation**, breaking his discussion down by Sections:

- Section 2004. Mr. Hoefner noted that money earmarked for education and outreach in conservation programs for socially disadvantaged applicants (SDA), beginning farmers and ranchers, limited resource farmers, and Indian tribes was cut from the final Bill. The Conference report now directs NRCS to use \$10 million from technical assistance funds to be used for education, monitoring, and assessment of conservation programs.
- Section 2001. This section concerns Conservation Security and Farmland Protection. Mr. Hoefner stated that this is the first time in history that a conservation program is an entitlement program, providing incentive/cost-share/bonus payments on working farmland. Payments will be made to farms with better conservation practices, with the cost share to beginning farmers and ranchers set at 90 percent, compared to 75 percent that others will receive.
- Section 2301. This section addresses cost-share payments under the Environmental Quality Incentives Program at 90 percent for beginning farmers and ranchers and limited resource farmers.
- Section 2503. This section allows the use of some farmland protection funds to ensure farm viability.

Mr. Hoefner then began a detailed discussion of **Title V-Credit**.

- Section 5001. The “3 year operating experience” requirement for FSA direct FO loans has been changed to “participated in the business operations” of a farm or ranch for at least 3 years.
- Section 5002. FSA can now refinance temporary “bridge” loans that were made by lenders to a farmer or rancher, if FSA approved a direct FO loan to a farmer or rancher, and no FSA direct FO money was available.
- Section 5004. This authorizes FSA to guarantee a loan made under a State Beginning Farmer Program with the use of Aggie Bonds. The goal of this provision is to build momentum in hopes that the Tax Committee will revise the Internal Revenue Code, which currently prohibits such an FSA guarantee.
- Section 5005. Under the FO Down Payment Loan Program, FSA can now loan 40 percent of the purchase price, and the FSA term of the loan is 15 years.
- Section 5006. A Beginning Farmer and Rancher Contract Land Sales Program was included in the Farm Bill. The program requires that no fewer than five states guarantee loans made by a private land seller to a beginning farmer or rancher on a land contract sale basis, after the Secretary has determined that the risk is comparable to the risk of other loan programs. A general discussion of this program commenced, centered around whether the pilot program would be big enough to determine the viability of the program, whether regional differences would be incorporated into the program, and whether or not the program would actually benefit land owners.
- Section 5101. Allows FSA direct borrowers to obtain a one-time waiver to term limit restrictions, allowing them 2 more years of annual operating loan assistance, subject to certain criteria.
- Section 5102. Suspends, through December 31, 2006, the time limitation for borrowers to receive FSA guaranteed assistance.
- Section 5307. Increases to \$125,000 (up from \$50,000) the amount eligible for guaranteed assistance under FSA’s simplified loan application process.
- Section 5308. Increases to 135 days (up from 75) the period of time that FSA must offer the sale of inventory property to beginning farmers and ranchers. It also allows FSA to divide parcels up to assist beginning farmers and ranchers.
- Section 5310. Revises the beginning farmer and rancher definition to increase the average county acreage size they can own from 25 to 30 percent.
- Section 5313. Requires FSA to target at least 15 percent of subsidized guaranteed operating loan funds to beginning farmers and ranchers.

- Section 5315. Allows FSA to pool unused SDA funds within a state and distribute them to other states to fund SDA loans.
- Section 5316. Requires the Secretary to establish criteria for waivers for the FSA borrower training program that are consistent nationwide.

Mr. Hoefner then began a discussion of **Title VII-Research**.

- Section 7205. Mandates that funding for research will increase over the next five years to \$200 million. The Congressional intent encourages USDA to solicit and fund research and development of various models and strategies that foster new farming and ranching opportunities for beginning farmers and ranchers.
- Section 7405. Authorizes a Beginning Farmer and Rancher Development Program, but does not mandate any funding for the program, thus requiring it to be considered for funding through annual budget appropriations.

This was the end of the review of the first handout. Chairperson Ruhf recommended that the second handout be reviewed the next day.

Valerie Diller (farmer, Texas) arrived at 5:20 p.m.

Chairperson Ruhf complemented Mr. Hoefner on his hard work and the Committee thanked him for his efforts.

The session adjourned at 5:30 p.m.

TUESDAY, MAY 7, 2002
8:05 a.m.

Chairperson Ruhf called the meeting to order. She introduced Valerie Diller and asked her for an update on her activities since the last meeting. Ms. Diller stated that she had traveled to Washington in March with the Farm Bureau's Young Farmers and Ranchers group, and that they visited with a USDA Under Secretary and with Congress to discuss the Farm Bill.

Chairperson Ruhf introduced Bryan King, who was present to give a public comment to the Committee (scheduled for 1:00 p.m. Tuesday afternoon).

Chairperson Ruhf then reminded Committee members of the statutory duties and protocol of the Committee. She stated that the Committee existed essentially to advise the Secretary, especially in reference to State/Federal partnerships along with other matters. She said this advisory role also extends to any item that appears on the agenda. In reference to the FCA and the GAO Report, she said that although the Secretary doesn't have oversight of FCA, she would like to discuss how the Committee might have input into this issue.

Chairperson Ruhf stated that Mr. Hoefner earlier expressed the idea that the Committee might correspond with Senators Lugar and Harkin concerning their support of beginning farmer and rancher issues in the Farm Bill. She suggested that, since this was out of the purview of the Committee, each member could sign on a letter as an individual, but mention that they are a member of the Committee. Mr. Guzman stated that members could contact their legislators as individuals and state that they were members of the Committee. Chairperson Ruhf said that could be done, but that the individual members could not speak on behalf of the Committee.

Chairperson Ruhf then turned the meeting back over to Mr. Hoefner for further discussion of the Farm Bill. He suggested going through the chart (Attachment 10) containing items from the Draft Beginning Farmer and Rancher Act, proposed and endorsed by the Committee at last year's meeting, to determine what recommendations the Committee wanted to provide to the Secretary.

1. Beginning Farmer and Rancher Development Program.

Mr. Hoefner stated that the big issue remaining was to obtain funding for the program. **Mr. Blahosky made a motion to recommend to the Secretary that the USDA budget for FY 2004 include full funding for the Beginning Farmer and Rancher Development Program at the \$15 million per year level stated in the Senate bill. Mr. Guzman seconded. Mr. Hays suggested an**

amendment to the motion to increase the funding to \$20 million per year since this was in the original proposal endorsed by the Committee in 2001. Mr. Reed seconded the amendment. The original motion was amended, and the motion passed with all in favor.

2. Research/Extension Program.

Mr. Hoefner stated that the proposal was not adopted.

3. Risk Management Education Program.

Mr. Hoefner said that this proposal was not adopted, but that it might be a good idea to request that the Secretary specifically target risk management strategies for beginning farmers and ranchers. Chairperson Ruhf mentioned it was significant to consider this. **Mr. Blahosky made the motion to recommend that the Risk Management Education Program “Requests for Proposals (RFP)” include targeted beginner farmer and rancher risk management education. Mr. Washington seconded the motion. The motion passed with all in favor.**

4. Initiative for Future Agriculture and Food Systems research program.

Mr. Hoefner mentioned that the language concerning funding for research to foster new opportunities for beginning farmers and ranchers was not adopted in the law, but was mentioned in the Statement of Congressional Intent. He suggested that similar language could be used in RFP’s. Chairperson Ruhf asked about the status of institutional eligibility. Mr. Hoefner responded that under the law a wide variety of groups are eligible. He stated that this did not specifically appear in last year’s budget. Chairperson Ruhf recommended that language be inserted keeping RFP eligibility open to all, since many innovative programs and partnerships come from outside the land grant system. **Mr. Hoefner made a motion to embrace the Congressional intent and give priority to beginning farmer and rancher programs in the next RFP and to keep eligibility open to all mentioned in the original law. Ms. Prentiss seconded the motion. The motion passed with all in favor.**

5. Beginning Farmer and Rancher Loan Fund Reservations.

Mr. Hoefner addressed the proposal to reauthorize all FSA beginning farmer and rancher loan fund reservations and to reauthorize all fund transfer authorities to beginning farmer and rancher loan programs. Both were adopted and included in the Farm Bill.

6. Beginning Farmer and Rancher Down Payment Loan Program.

General discussion ensued concerning easements, the American Farmland Trust and purchase of development rights through the Farmland Protection Program,

and promoting partnerships to assist beginning farmers and ranchers. **Mr. Hays made a motion to recommend that the Secretary promote partnerships with FSA (concerning the Down Payment Loan Program) and organizations that purchase easements to enhance affordability for beginning farmers and ranchers. Mr. Washington seconded. The motion passed with all in favor.**

7. Bridge Loans.

Discussion ensued on how bridge loans would be implemented by FSA. Mr. Barta and Mr. Ritter raised some issues, including the feasibility of handling bridge loans as a guaranteed loan, time frame for funding, and what FSA commitments could be made. **Mr. Wirth made the motion to endorse the bridge loan concept as a good improvement and to leave the technical issues for later discussion. Mr. Blahosky seconded the motion.** Mr. Guzman stated that the bridge financing is now law and it should be implemented. Mr. Hoefner stated that the law was the first step, and regulations would be the second step. **Chairperson Ruhf suggested that the motion be amended to include a request that the expertise of Committee members be utilized to help make the program workable and effective. Mr. Wirth made the amendment.** Further discussion ensued concerning the role of the Committee and any rulemaking process on the issue. **Mr. Wirth restated his motion saying the Committee strongly supports and encourages the bridge loan program and financing, and requests public input into implementation and rulemaking. Mr. Washington seconded the motion. The motion passed with Mr. Guzman opposed.**

8. FSA's Interest Assistance (IA) Program.

An in-depth review and evaluation of the usage of this program was suggested. It was also recommended that USDA develop its own proposals for further amendment. Mr. Ritter mentioned that he uses IA often and wanted to know if it could be advertised that 15 percent of the allocation available was targeted for this use. Ms. Baker stated that FSA already targets IA to beginning farmers, and that available funds are not untargeted by FSA until April 1, and the Farm Bill calls for untargeting March 1. Mr. Hoefner suggested that the Committee could call for some publicity on IA programs. **Mr. Ritter made the motion to encourage the USDA to target IA to beginning farmers and ranchers and to maintain at least 15 percent or more of IA funding to beginning farmers and ranchers. Mr. King seconded the motion. The motion passed with all in favor.**

9. Aggie Bond Program.

Discussion commenced on the proposal to allow FSA guarantees in conjunction with the Aggie Bond program. **Mr. Wirth made a motion that USDA provide leadership within the administration to support a change by the Department of Treasury to allow FSA guarantees on tax-exempt bonds. Mr. Blahosky seconded the motion. The motion passed with all in favor.**

10. Borrower Training Program and Borrower Training Waivers.

Chairperson Ruhf stated that the Committee has been interested in this issue for a long time, and that the Committee should be pleased to endorse the concept of a “consistent set of waiver criteria”, as stated in the Farm Bill. Mr. Soren said that borrower training was not at all consistent nationwide. Mr. Washington stated that more rigorous training is needed, and everyone must be treated equally. Mr. Ritter commented that, in Illinois, many farmers have off-farm jobs that make taking training difficult. He further stated that training needs to be in proportion to risk, and farmers should be able to use any training program that is available. Mr. Hoefner said that rulemaking could be done to meet the intent of the law. Ms. New asked if the Committee could endorse and request public comment through the rulemaking process. Chairperson Ruhf reminded the Committee that this section of the Farm Bill is only to provide guidance on waivers. **Mr. Hays presented a motion that the Committee, as part of consideration for developing waiver criteria, encourage the Secretary to review the consistency and uniformity of training nationwide, and request the Secretary to notify the Committee if there is not going to be an opportunity for public comment.**

Discussion on the issue of borrower training continued, centering on inaccessibility of training, lack of vendors, use of internet training, and the role of RMA in providing training.

Mr. Hays requested a vote on the motion that had been presented. Mr. Washington seconded the motion. The motion passed with all in favor.

Mr. Hoefner suggested a second motion that the Committee encourage the Secretary to coordinate with RMA to get the training classes started. Mr. Reed made the motion, and Mr. Guzman seconded. The motion passed, with none opposed.

The Committee took a break at 10:00 a.m., and the meeting reconvened at 10:15.

11. Borrower-Training Completion to Substitute for 3-year operating requirement for Direct FOs.

Mr. Hoefner proposed a motion to concur with the Conference Report language which expands on the proposed law change allowing direct FO loans to be made to those who have “participated in the business operations of a farm or ranch for not less than three years”. Mr. Wirth seconded the motion. The motion passed with all in favor.

12. Land Contract Sales Pilot Project.

Mr. Hoefner mentioned that Minnesota had a program that could be examined. Mr. Blahosky addressed his concerns with the Minnesota program. Mr. Soren expressed concern that a five-state pilot project is not adequate to determine its success due to a large variation across the country. Mr. Hoefner mentioned the law states “not fewer than” five states. **Mr. Soren made the motion that the Committee recommend that more than 5 states, representing a balance of all geographical regions of the U.S., be used to develop the land contract sales pilot project. Ms. Prentiss seconded.**

Discussion on the pilot project continued. Chairperson Ruhf mentioned that Mr. Hoefner had earlier suggested attaching language to include a rulemaking process. Mr. Ritter stated that the success of the program depends on incentives for landowners similar to the Minnesota program. Otherwise, in Illinois, the program will not be a factor. Mr. Wirth replied that there are incentives. **Chairperson Ruhf suggested an amendment to the motion that USDA seek public input on implementation of this program from the Committee. The motion, as amended, carried with Mr. Blahosky opposed.**

13. Other Pilots.

General discussion ensued on various pilot projects that had been proposed. Since this was not passed in the proposed Farm Bill, the issue was tabled for possible further discussion later in the day.

14. Conservation Provisions.

Mr. Hoefner noted that the proposal allows the National Resources Conservation Service (NRCS) to be creative concerning special incentives to beginning farmers and ranchers. He stated that the proposal authorizes incentives but does not specify how this will be done, and suggested that recommendations could be made on how to implement this provision. There was a general discussion on various NRCS programs, targeting, establishing ranking criteria, bonus points, third party vendors, and the elimination of priority areas in the Farm Bill. Chairperson Ruhf suggested that bonus points be given to landowners that have leases with beginning farmers and ranchers. Ms. New said that the Committee could ask the Secretary to notify them on how the programs are working by having NRCS monitor the programs. **Mr. King made a motion that special project initiatives be considered by NRCS to provide assistance to beginning farmers and ranchers and limited resource farmers. Mr. Reed seconded. The motion passed with none opposed.**

After further discussion, Mr. Hoefner made a second motion to encourage NRCS to consider special ranking criteria for beginning farmers and

ranchers and incentives for landowners. Mr. Washington seconded the motion. The motion passed with all in favor.

Mr. Guzman made a further motion to recommend that the Secretary encourage NRCS to examine other tools (e.g., lump sum payments and targeted funds), and encourage monitoring and reporting of the success of these programs to this Committee and other interested bodies. Mr. Blahosky seconded the motion. The motion passed with all in favor.

Discussion continued on the three motions made. **A final vote was taken to accept the original motion as amended. The motion passed with one member opposed.**

15. **Farmland Protection Program (FPP).**

Ms. Prentiss made a motion to recommend that the Secretary encourage NRCS to amend the FPP to give special ranking bonuses for FPP applications that have farm/ranch transfer and succession plans. Mr. Washington seconded the motion. Further discussion ensued. Mr. Guzman suggested that extra points be given if the recipient of the succession plan was a beginning farmer or rancher. Ms. Diller disagreed, voicing her concerns on how this could affect family transactions. Chairperson Ruhf stated that encouraging succession plans and indirect support for beginning farmers and ranchers could be incorporated into the recommendation. Mr. Reed invoked parliamentary procedure, noting that there was a motion already on the floor for consideration. **Mr. Guzman proposed an amendment to the original motion stating that additional bonus points should be given when the succession plan benefits beginning farmers and ranchers as transferees or additional bonus points should be given when the applicant in FPP is a beginning farmer or rancher. Mr. Soren seconded the amendment. The amendment passed. A vote was then taken on the original motion as amended. The motion passed, with Ms. Prentiss opposed.**

A short discussion was held on requesting a brief meeting with the Secretary to discuss beginning farmer and rancher issues. A small delegation from the Committee would attend. There was also a brief discussion on farmers losing out on FSA Loan Deficiency Payments. Both issues were tabled until the afternoon.

The Committee adjourned for lunch at 11:50 a.m., and reconvened at 1:20 p.m.

Chairperson Ruhf acknowledged that this would be Mr. Washington's last Committee meeting due to retirement at the end of next month. She thanked him for his participation on the Committee.

PUBLIC COMMENTS

Chairperson Ruhf introduced Bryan King, a 33-year-old farmer from Northwest Arkansas. Mr. King addressed his written comments (Attachment 11) dated April 30, 2002. Mr. King provides leadership on farm management and emphasized the need for farmers to practice better business management. He stated that borrowers must put time and effort into getting educated on financial issues, including retirement and Social Security. He suggested that tax credits or tax incentives be given to existing farmers if they sell their land to beginning farmers. He stressed that business management training was badly needed for farmers and ranchers.

Discussion of Mr. King's comments followed. Mr. Guzman agreed that success is not just based on practice, but also on management. Mr. Wirth agreed with the need for education and training, but mentioned one challenge is how to get the individuals who most need the training interested. Mr. King replied that if it saves time and labor, farmers will do it. Mr. Ritter stated that, as a lender, the biggest problem he faced was collateral lending vs. cash flow lending. Mr. Washington remarked that if you treat farming as a business, it will become a way of life, but if you treat it as a way of life, it will become a very expensive business. Ms. Diller agreed on the need for more financial management education.

DISCUSSION OF PREVIOUS RECOMMENDATIONS NOT ADDRESSED IN THE FARM BILL

The Committee moved on to discussion of recommendations made in Chairperson Ruhf's letter (Attachment 7) to the Secretary of Agriculture dated October 1, 2001, that were not addressed in the 2002 Farm Bill. Chairperson Ruhf stated that there were 12 recommendations from the letter that the Committee should discuss.

1. USDA should seek adequate funding for FSA loans.

Mr. Hoefner said that the 2003 request for funding is lower than the Committee recommended. Chairperson Ruhf asked if it was too late for consideration of the 2003 budget, and Mr. Hoefner stated that it was too late for 2003, but it was not too late for the 2004 budget. He said that the Farm Bill authorizes \$205 million for FSA Direct Farm Ownership Loans. **Mr. Blahosky made a motion to recommend a funding level of \$205 million for FSA Direct FO loans in FY 2004. Mr. Campbell seconded the motion. The motion passed, with none opposed.**

2. USDA should champion changes in the law concerning first time farmer/rancher tax-exempt agricultural bond (aggie bond) programs.

Chairperson Ruhf stated that this issue had been addressed earlier and a recommendation made at that time.

3. **USDA should consider a legislative proposal to amend several provisions of FSA loan programs.**

Chairperson Ruhf stated that this also had been addressed earlier with discussion of Down Payment loans and bridge financing.

4. **USDA should conduct a comprehensive assessment of FSA beginning farmer and rancher programs.**

Since USDA has not addressed that specific item in this recommendation, Mr. Hoefner again recommended a survey of borrowers, lenders, and borrower training participants in various FSA farm-lending programs be conducted. Ms. Diller suggested that a comment sheet could be included in the application packet for applicants to fill out. General discussion on surveys of programs, including the scope, response, confidentiality, and feasibility of the surveys, commenced. Mr. Hays and Mr. Soren suggested that the real emphasis should be placed on a comprehensive review of the borrower training program. **Mr. Soren made a motion that as part of the emphasis on improving borrower training, the Committee could recommend data collection be done on the success of borrower training, and that the Department and the Committee will be informed of the use and success of borrower training programs. Mr. Hoefner seconded the motion. The motion passed with all in favor.**

5. **USDA should do more to promote Federal-State partnerships and state beginning farmer and rancher programs.**

Mr. Wirth made a motion on the following recommendation: Reiterate that USDA should continue to take a strong role in promoting State/Federal Beginning Farmer programs and contact State Departments of Agriculture and FSA offices. Mr. Blahosky seconded the motion. The motion passed with all in favor.

6. **USDA should assure that adequate, trained staff is available in FSA offices.**

Mr. Ritter stated that he was concerned with cross training of former ASCS employees to assure that there are properly trained people in the FSA offices to administer the loan programs. Mr. McAlpine said that it takes more than passing the Agency's Farm Loan Officer Training (FLOT) to become proficient at the job, and that it probably takes at least two years experience. Mr. Dodson and Ms. New explained the training requirements. Chairperson Ruhf asked the Committee for a motion. **Mr. Wirth made a motion that USDA should assure that adequate, trained staff, including District Directors, is available in FSA offices. Mr. Blahosky seconded the motion. Ms. New suggested that the motion be amended to say "at all levels", instead of "including District Directors", so as not to single out individuals. The motion as amended passed with all in favor.**

7. **We urge the Secretary to advocate for a beginning farmer and rancher development initiative.**

It was stated that this was covered in an earlier recommendation.

8. **USDA should continue to support full funding of the Small Farmer Outreach, Training, and Technical Assistance (Section 2501) Program. Mr. King made a motion that USDA should continue to support full funding of the Small Farmer Outreach, Training and Technical Assistance Program at the newly authorized level in the Farm Bill. Ms. Prentiss and Ms. Diller seconded the motion. The motion passed with all in favor.**

9. **The Secretary is encouraged to develop a legislative proposal to increase the graduation requirements (term limits) for direct operating loans from 7 to 10 years.**

It was stated that this had been discussed earlier.

10. **USDA should take administrative action to make serving beginning farmers and ranchers a priority for the IA program.**

It was stated that this had already been addressed.

11. **FSA should undertake a comprehensive review of the borrower training program.**

After some discussion Ms. Prentiss made a motion to recommend that FSA undertake a comprehensive review of the borrower training program and waiver mandate, and collect data on the success of the borrower training program. Mr. Guzman and Mr. King seconded the motion. The motion passed with all in favor.

12. **USDA should encourage model programs to train high school and community college students in farm operation and management in cooperation with Future Farmers of America, 4-H, RMA, and other programs.**

Mr. Guzman was adamant about the need for high school and college level programs. Ms. Prentiss alerted the Committee that the Department of Education was about to drop Agricultural Education from their program (Perkins Act). Mr. King suggested that the recommendation be kept, and that other agencies and non-profits be added to the recommendation. **Ms. Prentiss made the motion that: 1) USDA should encourage model programs to train high school and community college students in farm operation and management in cooperation with Future Farmers of America, 4-H, RMA, and other**

non-profit agencies; 2) The Secretary should take immediate action to ensure education of beginning farmers and ranchers, and further encourage outreach for agencies that provide education, especially to youth; and 3) The Secretary should recommend to the appropriate Congressional Committee that action be taken to not remove Ag Ed from the Department of Education and that the Perkins Act be reactivated. Mr. Guzman seconded the motion. The motion passed with all in favor.

OTHER ISSUES

Chairperson Ruhf mentioned several other issues that needed to be covered: 1) The Committee Charter and terms of members; 2) The proposed meeting with the Secretary; 3) Recommendations concerning the GAO Report on FCA; and 4) a letter to Senators Harkin and Lugar. Mr. Falcone spoke about the terms of service and Committee membership. He stated that the existing terms expire on January 15, 2003, and thought the Committee should meet before then, depending on FY 2003 appropriations. He said that a decision memo to the Secretary recommending the continuation of the Committee will be drafted and then a Federal Register notice issued to solicit members to fill some of the positions on the Committee. Current members who want to continue their membership would need to resubmit the required form in order to do so. Approximately one third of the members would be replaced.

Chairperson Ruhf suggested that a meeting be held shortly with the Secretary to follow up on the recommendations. Mr. Blahosky recommended that Mr. Hoefner, Mr. Reed, Mr. Hays, Chairperson Ruhf, Mr. Falcone, and any other interested members meet with the Secretary to discuss Committee concerns. Mr. Guzman seconded the recommendation. It was suggested that the Chairperson request the meeting in a separate letter to the Secretary, and follow up with a phone call to the Secretary's scheduler. The recommendation passed with none opposed.

Discussion moved on to a Committee response to the FCA presentation and the GAO Report. Mr. Wirth suggested that the Secretary might encourage FCS to utilize FSA programs. Chairperson Ruhf reminded the Committee members that formal advice given as a Committee was limited to advice to the Secretary, but that interested individuals could participate in any public comment process if FCA implements a rule-making process for young and beginning farmer programs. **Mr. Wirth made a motion requesting that the Secretary encourage cooperation between FCS and FSA/USDA to improve delivery of programs to beginning farmers and ranchers. Mr. Blahosky seconded the motion. The motion passed with all in favor.**

Chairperson Ruhf stated that Mr. Hoefner would draft a letter to Senator Harkin and Senator Lugar, and send it to everyone on the Committee. Members could then suggest revisions and make comments. Members would not sign as part of the Committee, but any member is welcome to sign as an individual, or member of an organization, and mention that they are a member of the Committee.

Mr. Campbell made a motion that the Committee encourage the Secretary to give full consideration to clarifying and educating producers on understanding the requirements of maintaining “beneficial interest”, and its relationship to farm program payments. Further, that county FSA offices make Form CCC-701 a standard signature form for all producers in their yearly signup. Mr. Blahosky seconded the motion. General discussion ensued on the recommendation. Ms. Diller said that the form should be in the file for signature, even if it is not used. **The motion passed with all in favor.**

Ms. Diller stated that most beginning farmers and ranchers do not understand the Federal crop insurance requirements and deadline dates, and that the requirements need to be streamlined. She was not sure how the Committee could address this problem. Chairperson Ruhf suggested that the solutions involve education, streamlining, and consistency. She asked that the issue be tabled and discussed at the next meeting.

Mr. Ritter asked that future consideration be given to discussions on the lack of qualified FSA personnel to carry on programs, as many employees administering loan programs will retire in the next few years. He requested that financial incentives be considered for banks so that they will make guaranteed loans.

There was a brief discussion addressing Ms. Prentiss’ concern that FSA needs to streamline its application process. Mr. Dodson mentioned that USDA was in the process of setting up automation to allow for on-line applications for various forms of assistance (government-wide initiative). There was also a brief discussion on the statutory test for credit requirements regarding FSA loan applications.

Mr. Soren requested that the Committee revisit other pilot programs. Mr. Hays stated that the Committee needed to find out what the Secretary can do about pilot programs, and that the Committee should not attempt to deal with the issue until that information was available.

Mr. Campbell made the motion to adjourn. Mr. Blahosky seconded the motion.

Chairperson Ruhf thanked everyone for their participation.

The meeting adjourned at 4:05 p.m.