

TTY 1.800.526.0844
Voice 1.800.526.0857**ILLINOIS FINANCE AUTHORITY**Chicago Office • Sears Tower • 233 South Wacker, Suite 4000 • Chicago, Illinois 60606 • 312.627.1434 • Fax 312.496.0578 • <http://www.il-fa.com>Rod R. Blagojevich
GovernorAli D. Ata
Executive Director

March 31, 2004

Via Fax 202.720.2166

The Honorable Ann M. Veneman, Secretary
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Secretary Veneman:

On March 24-25, 2004, the Secretary's Advisory Committee on Beginning Farmers and Ranchers met in Washington, D.C., and will be submitting a set of recommendations to you in the near future. Because of time constraints, one of those recommendations is being sent to you today.

At the meeting on March 24, several members of the public provided oral statements when the floor was open for this purpose. Katherine Ozer, Executive Director of the National Family Farm Coalition, addressed several issues. One of those dealt with the proposed rule for Regulatory Streamlining of the Farm Service Agency's Direct Farm Loan Programs, which was published in the Federal Register on February 9, 2004. Public comments must be received by April 9, 2004. Ms. Ozer is concerned that this is a massive proposed rule dealing with many important issues affecting family farmers and ranchers, including beginning farmers and ranchers. As a result, she requested that the Advisory Committee recommend an extension of the April 9, 2004, deadline for public comments.

The Committee concurred with that position and hereby recommends that USDA extend the public comment period on the proposed rule by 30 days.

Thank you for this consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "David Wirth".

David Wirth
Chair, Secretary's Advisory Committee
on Beginning Farmers and RanchersSpringfield Office • 427 E. Monroe Street • Springfield, Illinois 62701 • 217.782.5792 • Fax 217.782.3989
Carbondale Office • 150 E. Pleasant Hill Road • Box 46 • Carbondale, Illinois 62903 • 618.453.5566 • Fax 618.453.4332
Peoria Office • 124 SW Adams Street • Suite 300 • Peoria, Illinois 61602 • 309.495.5959 • Fax 309.676.7534

TTY 1.800.526.0844
Voice 1.800.526.0857**ILLINOIS FINANCE AUTHORITY**Chicago Office • Sears Tower • 233 South Wacker, Suite 4000 • Chicago, Illinois 60606 • 312.627.1434 • Fax 312.496.0578 • <http://www.il-fa.com>Rod R. Blagojevich
GovernorAli D. Ata
Executive Director

The Honorable Ann M. Veneman, Secretary
U.S. Department of Agriculture
Washington, D.C. 20250

May 5, 2004

Dear Secretary Veneman:

On behalf of the USDA Advisory Committee on Beginning Farmers and Ranchers, I am pleased to submit to you a set of recommendations that Committee members developed at its recent meeting held on March 24-25, 2004, in Washington, D.C. The Committee is appreciative of the fact that USDA implemented a number of the recommendations submitted to you from its previous meeting held in May 2002.

The Committee recommends that:

Overarching Recommendation

1. The Secretary develop and implement a mission focus to heighten awareness and coordinate beginning farmer and rancher opportunities, including a departmental policy statement that establishes measurable goals and objectives for USDA and each of its mission areas. To ensure follow through and coordination, an interagency council should be established similar to the Sustainable Development Council or the Small Farm Council.

Farm Loans

2. The Secretary extend the public comment period on the Farm Service Agency's (FSA) proposed rule for Regulatory Streamlining of its Direct Farm Loan Programs by 30 days. This recommendation was faxed to you on March 31, 2004. The Committee appreciates the fact that the comment period was reopened for 15 days on April 19, 2004.
3. The Secretary seek short-term administrative and long-term legislative changes to grant FSA the flexibility to develop and implement non-traditional lending programs to benefit beginning farmers and ranchers. For example, a program similar to FSA's Youth Loan Program could be used to assist beginning farmers and ranchers with small, direct loans. Other possible programs include micro-loans and intermediary re-lending. Further, some innovative credit concepts such as accepting chattel property as equity for FSA's Down Payment Farm Ownership Loan Program for beginning farmers and ranchers might serve some needs that are unmet today.

Springfield Office • 427 E. Monroe Street • Springfield, Illinois 62701 • 217.782.5792 • Fax 217.782.3989
Carbondale Office • 150 E. Pleasant Hill Road • Box 46 • Carbondale, Illinois 62903 • 618.453.5566 • Fax 618.453.4332
Peoria Office • 124 SW Adams Street • Suite 300 • Peoria, Illinois 61602 • 309.495.5959 • Fax 309.676.7534

4. The Secretary support not less than the authorized funding levels for FSA's direct loan programs in USDA's future budget proposals. Through Fiscal Year (FY) 2007, the 2002 Farm Bill authorizes funding levels of \$205 million for FSA's direct farm ownership loans and \$565 million for direct operating loans. Due to the demand for these programs by family farmers and ranchers, including beginning farmers and ranchers, the Committee recommends that USDA support no less than these levels through FY 2007. In particular, the Committee urges the Secretary to work with the Office of Management and Budget (OMB) to ensure that budget requests are established based on estimated needed program levels rather than allowing changes in credit subsidy levels to result in wide year-to-year swings in the USDA budget request for direct loan programs.
5. The Secretary direct FSA to expand the Land Contract Sale Pilot Program to all interested States. The Committee appreciates that FSA has established this pilot program in six states but is aware that several other states would like to participate. Given the small number of land contract guarantees per state, having these willing states participate will allow for a more robust pilot without a large increase in the total number of guarantees.
6. The Secretary support FSA's efforts to obtain 100 additional staff years to conduct FSA's Farm Loan Programs.

Conservation

7. The Secretary direct the Natural Resources Conservation Service (NRCS) to assign bonus ranking points or target funds to beginning farmers and ranchers in conservation programs to increase beginning farmer and rancher participation in such programs.
8. The Secretary direct NRCS to contact all of their states that have implemented or are considering implementing the Farm and Ranch Land Protection Program (FPP) and encourage them to consider adopting or adapting the program guidelines used in Pennsylvania to encourage effective farm transition and transfer strategies.
9. The Secretary direct the NRCS to review all program rules and remove barriers that may prevent beginning farmers and ranchers from participating in available programs. For instance, a rule in the Environmental Quality Incentives Program (EQIP) requires the participant's land to have been irrigated in two of the previous five years to be eligible for cost share to improve irrigation efficiency. These and similar program barriers should be removed.
10. The Secretary direct the NRCS to make the following changes to the Conservation Security Program: (1) revert it from the proposed watershed approach back to a full-scale national program and eliminate the 90 percent base payment reduction factor and the proposed cost-share restrictions; (2) abide by the 90 percent cost-share

provision for beginning farmers and ranchers; and (3) provide for special enhanced payments for beginning farmers and ranchers.

11. The Secretary direct the NRCS to issue national guidance requiring a 15 percent differential for cost-share payments under the EQIP Program be provided to beginning and limited resource farmers and ranchers nationwide, as authorized in the 2002 Farm Bill. For example, if the standard 75 percent rate is in use, beginning and limited resource producers should receive 90 percent, but if a state has set the maximum cost-share payment rate at 50 percent of the projected cost of the project, for instance, beginning and limited resource farmers and ranchers would receive 75 percent.
12. The Secretary direct the NRCS to revise the definition of beginning farmer and rancher to include other applicable components of the statutory definition used by the FSA, with appropriate adaptations for use in conservation program implementation. For instance, NRCS could adopt a cap on farm land ownership, but use a much higher percentage of median farm size than the one FSA uses for the purposes of first time real estate credit.
13. The Secretary direct the Economic Research Service, FSA, and NRCS to research policy options for the Conservation Reserve Program (CRP) to enhance beginning farmer and rancher opportunities as the next big wave of CRP contract expirations begin in 2006-2008. Encouraging sale to new farmers and ranchers will not only help the neighboring rural communities, but can also be accomplished in ways to promote strong conservation. Transition strategies could include incentives for sales to beginning farmers and ranchers with special transition period several years prior to the end of the 10-year CRP contract during which the beginner could start making conservation improvements or make limited economic use of the property, consistent with an approved conservation plan.

Research, Extension, and Outreach

14. The Secretary support full funding of the Small Farmer Outreach, Training and Technical Assistance (Section 2501) Program. The Committee recommends that USDA support funding of \$25 million in its Fiscal Year (FY) 2006 budget proposal. This is the amount authorized in the Farm Security and Rural Development Act of 2002 (2002 Farm Bill).
15. The Secretary request that the Office of Outreach in each agency of USDA, along with the USDA Office of Public Affairs, actively market beginning farmer and rancher opportunities/programs, emphasizing both youth and adults. Examples of this could include presenting information in FFA's New Horizons Magazine, agricultural related publications, and other appropriate media; provide exhibit booths at the National FFA Convention, trade shows, etc.; and develop a USDA website on beginning farmer and rancher issues.

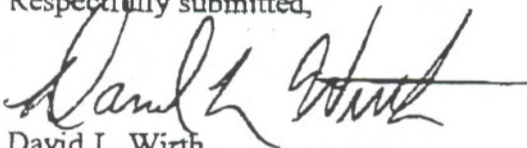
16. The Secretary include funding in the FY 2005 budget request for the Beginning Farmer and Rancher Development Program, as authorized by the "Research and Related Matters" title of the 2002 Farm Bill.
17. The Secretary direct the Cooperative State Research, Education, and Extension Service to include a specific request for beginning farmer and rancher projects in the FY 2004 Supplemental Request for Applications for farm profitability and rural economic development projects under the National Research Initiative Competitive Grants Program. This emphasis should be continued in future fiscal year RFAs.

Miscellaneous

18. The Secretary support the beginning farmer and rancher portion of H.R. 2978, "The Beginning Farmers and Ranchers Tax Incentives Act". Under Section 121A(a)(1) of the proposed bill, land owners who sell their land to a qualified beginning farmer or rancher, who is a first-time buyer, would pay no capital gains tax.
19. The Secretary direct the FSA to review its various commodity programs and implement incentives for beginning farmers and ranchers.
20. The Secretary direct the Risk Management Agency (RMA) to leave in place the current Standard Reinsurance Agreement (SRA). RMA has drafted a proposed SRA, which may cause unintended harm to beginning farmers and ranchers. The Committee recommends the SRA not be changed until adequate research is done assuring the changes won't adversely affect beginning farmers and ranchers.

Thank you for this opportunity to make recommendations. Please feel free to contact me in Springfield at 217.782.5792 if you have any questions.

Respectfully submitted,



David L. Wirth

Chairman,

USDA Advisory Committee on Beginning Farmers and Ranchers
