

MEETING MINUTES

ADVISORY COMMITTEE ON BEGINNING FARMERS AND RANCHERS

**OMAHA HILTON, 1001 CASS STREET, OMAHA, NEBRASKA
AUGUST 8-9, 2005
8:30 a.m.**

WELCOME

David Wirth (Agri-Business Solutions, Illinois, and formerly with Illinois Farm Development Authority), Chairperson of the Advisory Committee on Beginning Farmers and Ranchers, called the meeting to order at 8:30 a.m., August 8, 2005. Chairperson Wirth welcomed all Committee members and visitors in attendance.

Committee members in attendance included Terry Barta (Smith County State Bank and Trust Company, Kansas), John Hays (The Farm Credit Council, Washington, D.C.), Trenton McKnight (rancher and Future Farmers of America (FFA) past president, Texas), Todd Lang (Strasburg State Bank, North Dakota), Valerie Diller (farmer, Texas), Linda Prentiss (rancher, California), Wayne Soren (farmer, South Dakota), Omar Garza, (farmer and rancher, Texas), Ferdinand Hoefner (Sustainable Agriculture Coalition, Washington, D.C.), Juan Guzman (Groves Operation Manager, Florida), Marian Beethe (The Beginning Farmer Program and Farm Mediation Service, Nebraska), Henry English (University of Arkansas at Pine Bluff, Arkansas), Kathy Ruhf (contractor for New England Small Farm Institute, Massachusetts), Marion Bowlan (farmer, Pennsylvania), Kenneth Stokes (Texas Cooperative Extension, Texas), Ray Mobley (Florida A&M University, Florida), J. Latrice Hill-Moore (Farm Service Agency (FSA), Mississippi), Nancy New (FSA, New York), and Hazell Reed (Delaware State University, Delaware).

Department of Agriculture (USDA) employees from Washington, D.C. who were in attendance and provided support to the Committee included Mark Falcone, Designated Federal Official (DFO) for the Advisory Committee on Beginning Farmers and Ranchers (FSA, Deputy Director, Farm Loan Programs Loan Making Division (FLPLMD)), Charles Dodson (FSA, Economist, Economic and Policy Analysis Staff (EPAS)), Sam Snyder (FSA, Senior Loan Officer and Assistant to the Director, FLPLMD), and Carolyn Cooksie (FSA, Deputy Administrator for Farm Loan Programs (DAFLP)).

OPENING REMARKS

Chairperson Wirth welcomed the Committee members, briefly covered the planned agenda for the meeting, established appropriate protocol, and then introduced Carolyn Cooksie.

Ms. Cooksie welcomed everyone to Omaha. She thanked Committee members for their devotion, and complimented them for their impressive recommendations over the years. She acknowledged that USDA has been able to implement some of the recommendations. She informed members that FSA was in the process of implementing one of last year's recommendations; expand the Land Contract Guarantee Pilot program to all interested states. She mentioned Nebraska, California, and Minnesota would be added as pilot states, and that a notice will be published in the Federal Register in the near future.

Ms. Cooksie discussed the upcoming Farm Bill, stating that the Secretary was very open to comments (as evidenced by his ongoing nationwide Farm Bill forums and concern about the next generation of farmers and ranchers). She encouraged Committee members to include recommendations as to what they would like to see in a legislative package, since more needs to be done for beginning farmers and ranchers. She said FSA staff has discussed some proposals they would like to see in the Farm Bill to assist beginning farmers and ranchers.

Ms. Cooksie made reference to last year's Committee meeting when members were briefed on FSA's proposal to implement a new Farm Business Plan (FBP), replacing the Farm and Home Plan that had been used for 30 years. At that time, FSA was about to train more than 2,000 employees over a period of six months in preparation to implement the web-based system. She informed members that the training was completed as scheduled and the FBP has been implemented with great success.

Ms. Cooksie provided members with a status of the streamlining of FLP's direct loan regulations, which were also discussed at last year's meeting. She mentioned it was a huge undertaking and she hoped the final rule would be published by the end of the calendar year. She then addressed FSA's proposed rule associated with changes to its guaranteed interest assistance program, and that the comment period was scheduled to end on August 22, 2005. However, she stated that there had been a recent migration of information technology equipment in FLP. As a result, some comments submitted by electronic mail may have been lost, so the comment period was being extended by two weeks.

Ms. Cooksie acknowledged those who have served on the Committee since its inception in 1999 and expressed that this would be their last meeting, as there is a six-year maximum to serve. She recognized former Chairpersons Hazell Reed and Kathy Ruhf, and members Ferd Hoefner, Henry English, Juan Guzman, Wayne Soren and Nancy New. She also thanked Chairperson Wirth who will not be serving another term.

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

1. Mr. Barta (**question**): The Secretary has commented on providing incentives to beginning farmers and ranchers. How difficult will it be to provide tax incentives?

Ms. Cooksie (**response**): FLP is on board with tax incentives for beginning farmers and ranchers. The roadblocks have been outside USDA. We've met with the Department of Treasury and the Office of Management and Budget (OMB) concerning allowing loan guarantees in conjunction with tax-exempt bonds. The Treasury Department was not in favor of it.

2. Ms. Ruhf (**question**): You mentioned FSA is considering legislation to help beginning farmers and ranchers. Can you tell us what you're considering?

Ms. Cooksie (**response**): We haven't agreed as to what we'll do. We would consider any Committee recommendations. This will be an environmental and budget conscious Farm Bill. Proposals need to take into consideration overall budget costs.

Chairperson Wirth thanked Ms. Cooksie for her comments and asked Mark Falcone to provide some administrative comments.

MARK FALCONE COMMENTS

Mark Falcone, DFO, welcomed everyone to Omaha. He provided an overview of the materials and packet of information that was provided to the Committee regarding beginning farmers and ranchers as well as information about Omaha.

Chairperson Wirth thanked Mark Falcone and then asked Committee members to identify themselves. Each member did so and briefly stated their occupation. Kathy Ruhf handed out copies of "Growing New Farmers", a final report on a project she has been involved with as a result of a USDA grant. She mentioned the project is a regional program for beginning farmers and ranchers. Information on the project can be found at www.northeastnewfarmer.org.

USDA NASS PRESENTATION

Chairperson Wirth introduced Mark Harris, USDA, National Agricultural Statistics Service (NASS) State Director, Nebraska Field Office. Mr. Harris thanked the Committee for his invitation to speak and provided a PowerPoint presentation on the demographics of U.S. farm operators (**Attachment 1**). The goals of the session were to: clarify the data available from the 2002 Census of Agriculture; examine ages of farmers in light of new multiple operator data; develop a definition of possible succession planning evidence; and summarize findings under the new definition.

Mr. Harris concluded his presentation and asked if there were any questions from the Committee and the floor was opened for comments and questions. The paraphrased questions/comments and the presenter's paraphrased response(s) follow:

1. Mr. Stokes (**question**): There is an operation in Texas with over 2,000 acres with multiple landlords. How many operators would the Census consider for this type of operation?

Mr. Harris (**response**): NASS would count multiple landlords as one farm; however the owner can have separate arrangements to consider it more than one farm.

2. Mr. Barta (**comment**): Kansas has similar situations and has a particular method so as to not skew statistics on the NASS survey. We would check "landowner only".

Mr. Harris then handed out a paper that had been presented at the Agricultural Outlook Forum in February 2005, entitled; "WHAT WE KNOW ABOUT THE DEMOGRAPHICS OF U.S. FARM OPERATORS" (**Attachment 2**) and provided members with the NASS website (www.usda.gov/nass/).

3. Mr. Nathan Rudgers (introduced as a speaker below) (**question**): Can you compress the data to compare the total number of operations with younger persons being the principal operator and the total number with older persons being the principal operator, and see what groups have implemented a farm succession plan?

Mr. Harris (**response**): No. This information is not available in the Census.

4. Ms. Ruhf (**comment**): Commended NASS for looking at multiple operators, and said this is an excellent first step. The Committee would like to see what indicators there are of succession plans.
5. Ms. Bowlan (**question**): Have you looked at ownership of assets of the farm business? Do they own livestock or equipment? Are they indicators of succession plans?

Mr. Harris (**response**): Statistics demonstrate that second operators own some assets. This would be an indicator, but the Census didn't ask.

6. Mr. McKnight (**question**): When was the farm definition of \$1,000 of sales established and why hasn't it changed?

Mr. Harris (**response**): The current definition came into place in 1972 or 1974. If it was raised, many farms in West Virginia would not be counted.

7. Mr. Barta (**comment**): I've struggled with this threshold. Congress applies the information to financial ratios.

BEGINNING FARMER CENTER OF IOWA PRESENTATION

David Wirth introduced John Baker, Director, Beginning Farmer Center, Iowa. Mr. Baker presented a PowerPoint presentation on cross cultural research on farm succession (**Attachment 3**).

At the conclusion of Mr. Baker's presentation he asked if there were any questions from the Committee and the floor was opened for comments and questions. The paraphrased questions/comments and the presenter's paraphrased response(s) follow:

1. Mr. Stokes (**question**): In farming there is the real estate hat and the farm business one. Do you see that as a separate process?

Mr. Baker (**response**): The family will own the real estate but the children may operate the farm business. Farm land owner and farm owner are not synonymous terms.

2. Mr. Stokes (**question**): How many will retire or decide to never retire?

Mr. Baker (**response**): In Japan, there is a cultural approach. When the farmer turns 65, they turn the farm over to the oldest son. The retiring farmer receives a maximum pension, which is a motivation to transfer the farm to the next generation. In the U.S., many farmers own the farm until death.

3. Mr. Rudgers (**question**): Does the farm income number (Slide 2 on Page 10 of Attachment 3) reflect rental income?

Mr. Baker (**response**): No.

4. Ms. Bowlan (**comment**): We need to address personal issues involved in farm transition. She provided comments about her experiences with siblings in succession planning and also mentioned something has to be done on succession due to land values.
5. Mr. Baker (**comment**): There are tools that are available to assist with succession planning.
6. Mr. Guzman (**comment**): In looking at the numbers, Europe has a longer history of taxation and higher rate of succession planning. They are more educated about the consequences of not having a plan.

7. Ms. Diller (**comment**): The focus appears to be on succession planning for the children, who may not be interested in farming. We shouldn't pressure them. The plan should consider others.
8. Mr. Baker (**comment**): I want to emphasize that the first consideration is whether there is a family member to succeed. If not, then they need to find non-related parties to carry on the farm.

FARM CREDIT SERVICES OF AMERICA PRESENTATION

Chairperson Wirth introduced Doug Stark, CEO and President, Farm Credit Services of America (FCS), Omaha, Nebraska. Mr. Stark presented a PowerPoint presentation (**Attachment 4**) on FCS of Omaha's Young and Beginning Program in Iowa, Nebraska, South Dakota, and Wyoming, including the AgStart program.

Mr. Stark discussed FCS's participation in the FSA guaranteed loan program, which is utilized mainly for young and beginning farmers and ranchers. He mentioned they have gotten a late start in participating in FSA's guaranteed program and wish they had done more. There has not been as much participation due to the lengthy process and that he wanted FCS loan officers to take on the risk without a guarantee.

At the conclusion of Mr. Stark's presentation the floor was opened and questions as well as comments were taken from the Committee. The paraphrased questions/comments and the presenter's paraphrased response(s) follow:

1. Mr. Falcone (**comment**): The Committee appreciates the Farm Credit Administration's and FCS's involvement with the Advisory Committee over the last three or four years and implementation of FCS's Young and Beginning Program.
2. Ms. Bowlan (**question**): FCS of America provides service to beginning farmers and ranchers through its AgStart Program in Iowa, South Dakota, Nebraska and Wyoming. Is this type of program available by FCS in other regions?

Mr. Stark (**response**): Some of the other regional FCSs have AgStart programs.

3. Ms. New (**question**): Regarding the dollar limits on the AgStart program, have you raised the limit?

Mr. Stark (**response**): Originally we established a limit of \$250,000. Now the limit is \$750,000.

4. Mr. Dodson (**question**): Are there any special terms on AgStart?

Mr. Stark (**response**): Generally, whatever is agreed upon between the loan officer and the borrower. We offer a one quarter percent break on the rate. Most loans are high risk.

CENTER FOR RURAL AFFAIRS PRESENTATION

David Wirth introduced Traci Bruckner, Associate Director, Rural Policy Program, Center for Rural Affairs, Lyons, Nebraska. Ms. Bruckner spoke on tax credit issues and USDA programs in FSA and the Natural Resources Conservation Service (NRCS).

Ms. Bruckner mentioned she was pleased that FSA's Land Contract Guarantee Pilot Program for beginning farmers and ranchers was being expanded. She requested the Committee to recommend an exemption be given to allow FSA to provide loan guarantees on agricultural tax-exempt bonds, which would benefit beginning farmers and ranchers. She also shared ideas on providing up-front payments for cost-share programs and implementing special conservation provisions for beginning farmers and ranchers under NRCS, and transferring some acreage about to expire under the Conservation Reserve Program (CRP) to beginning farmers and ranchers.

Ms. Bruckner briefly discussed Section 7405 of the Farm Security and Rural Investment Act of 2002, which authorizes USDA to establish a Beginning Farmer and Rancher Development Program. No funds have been appropriated, and she would like to see the program funded. This concluded Ms. Bruckner's comments.

INTRODUCTION OF MEMBERS OF THE PUBLIC PRESENT

Chairperson Wirth asked members of the public present to identify themselves as well as the organization they are representing, if applicable. The following public individuals were present:

Edgar Hicks	Government for Rural Development Commission, Nebraska
Tom Block	Iowa Farm Bureau
Dave Goeller	Transition Specialist, University of Nebraska
Meg Kester	Agricultural Economics Program, University of Nebraska
Bob Jedlicka	Farm Loan Chief, USDA, FSA, Nebraska
Bob Herchenbach	District Director, USDA, FSA, Nebraska
Steve Guebert	Economist, Farm Credit Administration (FCA)
Chris Clayton	Omaha World Herald, Nebraska
Doug Gahn	State Specialist, USDA, NRCS, Nebraska
Jeff Ward	Iowa Agricultural Development Authority
Denise Lickteig	Farm Loan Manager, USDA, FSA, Nebraska, representing FSA's National Association of Credit Specialists (NACS)
Alan Hall	Farm Loan Manager, USDA, FSA, Nebraska, representing NACS
Timothy Harlow	Outreach Liaison, National Tribal Development Association, North Dakota

Nathan Rudgers Commissioner of Agriculture, New York, and President of the
National Association of State Departments of Agriculture
Lyndsy Mlady Jennes Senator Chuck Hagel's Office, Lincoln, Nebraska

CONGRESSMAN TOM OSBORNE PRESENTATION

Chairperson Wirth introduced Tom Osborne, Congressman 2nd District for Nebraska. Congressman Osborne was accompanied by and introduced Bob Edgar from his staff, who works on issues with young farmers.

Congressman Osborne commented that there are concerns with FSA's direct loan limits, and questioned whether the maximum loan amount (\$200,000 for farm ownership and \$200,000 for farm operating) would be enough for a young farmer to become successful, given the input and other start-up costs associated with today's agriculture. He provided an array of Nebraska agricultural statistics, including the average age of farmers (59-60 years), and the average costs to purchase irrigated land (\$2,500 acre).

Congressman Osborne expressed that it is vitally important to beginning farmers and ranchers to get some type of business training as soon as possible after starting their operation. Further, they need to know how to market their commodities, embrace and use current technology, and understand where to access loan and grant funds, as well as how to write a grant request.

Congressman Osborne discussed that the key to success for beginning farmers and ranchers is to find a niche and value-added type operations (organic crops, hydroponics, etc.) to give them an increased likelihood of success. He commented that he doesn't see a lot of future for a young beginning farmer or rancher getting started to produce #2 yellow corn because the profit margin is too low. The Congressman informed the Committee of an ethanol plant that produces ethanol for energy as well as a bi-product utilized for animal feed.

He discussed the next Farm Bill, and commented he just returned from a meeting with the European Union (E.U.) countries. He expressed concerns over tariffs, indicating that the U.S. tariffs products at the rate of 12 percent, whereas U.S. products experience tariffs in Europe at the rate of 30 percent, reducing U.S exports. He further indicated that the E.U. has experienced 756 cases of Bovine Spongiform Encephalopathy in one year and the U.S. should have had a good market penetration. However, the E.U. prohibits the importing of U.S. beef because it injects hormones.

The Congressman mentioned decoupled payments will be an important issue with the next Farm Bill, and there will be ongoing pressure to have conservation/environmental practices included. There is a bill sponsored by Senator Tom Harkin of Iowa to allocate money at three levels of conservation payments: no till terracing would be the first level of payments, buffering would receive the second level, and evaluation by NRCS would generate the third level of payments. He stated that the next Farm Bill will not be friendly toward commodity payments. This concluded Mr. Osborne's comments.

PUBLIC COMMENTS PRESENTATION

ALAN HALL, FSA NATIONAL ASSOCIATION OF CREDIT SPECIALISTS (NACS)

Mr. Hall had provided the Committee with a memorandum in advance of the meeting (**Attachment 5**). The memo outlined the position of NACS regarding the following FSA issues: abolish FSA term limits; increase FSA loan limits; allow FSA loan guarantees on agricultural tax-exempt bonds; allow FSA to offer incentive financing for beginning farmers and ranchers. Mr. Hall discussed each issue with the Committee and at the conclusion of his presentation the floor was opened for questions and comments. There was a general discussion on term limits, which was first addressed in the Agricultural Credit Improvement Act of 1992.

TIMOTHY HARLOW, NATIONAL FSA AMERICAN INDIAN CREDIT OUTREACH INITIATIVE

Mr. Harlow had not previously submitted written comments but asked if he could briefly provide oral comments to the Committee, which he was allowed to do. He is employed by the National Tribal Development Association, which is involved in a National FSA Outreach Initiative for American Indians. He provided various copies of The Indian Credit Outreach News publication, and outlined his role with this organization as well as the outreach initiative. He asked the Committee to consider the following:

1. FSA's FLP needs to be fully funded. Often it is the only tool available for Indian Country.
2. Funding for outreach comes from general salaries and expenses and he would like to see Outreach become its own line item in the USDA and FSA budget.
3. Urge funding for FSA's youth loan program, as it's utilized heavily in Indian Country.

There were no questions or comments from the Committee. Due to time constraints, Mr. Falcone mentioned public comments submitted by those not in attendance would be addressed later in the day to allow the next speaker to make his presentation.

STATE BEGINNING FARMER PROGRAMS PRESENTATION

Chairperson Wirth introduced Nathan Rudgers, President of the National Association of State Departments of Agriculture (NASDA) and Commissioner of Agriculture for New York State. He thanked the Committee for making a difference and its outstanding recommendations to the Secretary over the years. Mr. Rudgers provided an overview of NextGen Farming and the importance of focusing on the beginning farmers into the next generation of agriculture. He discussed the dilemma of the increasing age of the average farmer, which is currently 55 years, and emphasized the concern of who will farm in the

next generation. Mr. Rudgers provided statistics to support his presentation and concluded that more than one-quarter of the farmers in the U.S. are 65 or older. What was most alarming to Mr. Rudgers is that the only age group of farmers showing an increase was that of the 70 and older group, and that the principal operators with an average age of less than 35 years was 5.8 percent in 2002 and has been declining since 1982, when it was 15.9 percent.

He mentioned there are approximately 16 states that have active beginning farmer programs based on Agricultural tax-exempt (Aggie) bonds, where the lender purchases bonds for the loan through the state program, and receives tax-free interest on the loan from the government, allowing the lender to make a loan to a beginning farmer or rancher at a lower interest rate. He proceeded to inform the Committee that New York joined other states in offering beginning farmer loan programs when the Governor signed legislation last year. Mr. Rudgers mentioned that regulations for the program are under development, and anticipates the program will be operating in the winter of 2006.

He discussed Cornell's FarmNet program, which created "New York Farm Link". This program provides a wide array of services, including linking retiring farmers with beginning farmers. He also mentioned the local FCS, along with other regional FCS offices, have developed programs targeting beginning farmers and ranchers, but thought more could be done by FCS throughout the country.

At the conclusion of Mr. Rudger's presentation he opened the floor for questions and comments from the Committee. The paraphrased questions/comments and the presenter's paraphrased response(s) follow:

1. Ms. Ruhf (**question**): What have been some of the particular challenges for setting up your State Beginning Farmer Program?

Mr. Rudgers (**response**): Getting it through legislation, as it took years.

2. Ms. Bowlan (**question**): Has NASDA talked about encouraging owner/operators?

Mr. Rudgers (**response**): I think it will be a central part of the discussion in the next Farm Bill. The price of land, going from \$750/acre to \$3,000 – \$4,000/acre because of urban sprawl, has created a serious issue for agriculture.

A general discussion then ensued on the impact land values have had and will have on beginning farmers and ranchers.

STATE BEGINNING FARMER PROGRAMS PRESENTATION (Continued)

Chairperson Wirth introduced Jeff Ward, Chairman, National Council of State Agricultural Finance Programs, Iowa. Mr. Ward provided an overview of Aggie Bonds (**Attachment 6**) and mentioned that over half the states that have them are providing joint financing to beginning farmers in conjunction with FSA's direct farm ownership

participation loan program. He urged the Committee to support HR 651, “Agricultural Bond Improvement Act of 2005”, to amend the Internal Revenue Code of 1986 to make improvements to assist young farmers and ranchers.

Mr. Ward then opened the floor for questions and comments from the Committee, at which time Mr. Rudgers said NASDA will support this legislation.

PUBLIC COMMENTS DISCUSSION

Mark Falcone read the public comments submitted to the Committee (**Attachments 7-10**) and not in attendance at the meeting for the following:

1. Koch Certified Public Accountant, submitted by: Jeffery Koch, CPA, Kansas

Obstacles for beginning farmers to access capital and farm transition issues. Commented on establishment of a tax incentive to spur older farmers to sell to beginning farmers and increase access to capital for a younger farmer.

2. Beginning Farmer, submitted by: Mary Lundy Meruvia, Mississippi

Requests the committee revisit FSA’s regulations to open up loan eligibility to more people trying to begin farming.

3. Kansas City Board of Trade, submitted by: Jeff Borchardt, President and CEO, Missouri

Encouraging USDA to institute another options pilot program concerning Risk Management education.

4. USDA, FSA, submitted by: Chris Beyerhelm, Farm Loan Chief, Iowa

Recommending support for laws to provide tax breaks for land sale transactions to beginning farmers and ranchers.

RISK MANAGEMENT AGENCY (RMA) PRESENTATION

Chairperson Wirth introduced Committee member Kenneth Stokes, Director, Southern Region Risk Management Education Center, to discuss Extension Risk Management Grants (**Attachment 11**). Mr. Stokes outlined the provisions in the Agricultural Risk Protection Act of 2000, which required RMA to establish a competitive grants program for the purpose of educating agricultural producers. The program focuses on risk management education needs of all agricultural producers while giving special consideration to educational needs of producers who have had limited exposure to risk management concepts, tools and strategies. He mentioned that several grantees in 2004 conducted farm business succession planning. Mr. Stokes commented that educational funds are appropriated by Congress and passed through USDA’s CSREES to four

regional centers and a digital library. The centers conduct a competitive process for the educational grants, promote public and private partnering, and utilize an on-line application/outcome reporting system. Mr. Stokes pointed out that each center has an Advisory Council that ensures project selection and funding of projects, has a broad base of stakeholder support and meets the educational needs of the region. Eligibility and oversight reporting requirements were discussed. Ms. Prentiss addressed concerns that the 30-day deadline to complete applications for full proposals is too short. Mr. Stokes mentioned he would raise this issue with appropriate personnel.

Mr. Stokes then provided information to the Committee on the written comment submitted by Mr. Jeff Borchardt, Kansas City Board of Trade. He discussed the Dairy Options Pilot Program, which was funded by Congress in 1996. It provided funds for dairy producers to purchase the option on milk contracts. The producer paid 20 percent and the government paid 80 percent. It was available in 300 counties, where 790 dairy producers bought 2,816 options.

MARK FALCONE (DFO) PRESENTATION

Mr. Falcone provided members with a series of handouts related to FSA beginning farmer and rancher loan activity for FY 2005 (**Attachment 12**). He also discussed the backlog of approved applications waiting for funding, and mentioned FSA has signed 18 Memorandums of Understanding (MOU) with state beginning farmer programs to provide joint assistance to beginning farmers and ranchers. Mr. Falcone also mentioned that USDA has signed an MOU with the Department of Health and Human Services (Office of Refugee Resettlement) to provide joint assistance to refugee farmers. He then gave an overview of the Committee's previous recommendations and provided an update on the status of each (**Attachment 13**). Mr. Falcone commented that a web site had been established for the Advisory Committee on Beginning Farmers and Ranchers, with links that provide the Committee charter, Committee members, Federal/State Beginning Farmer Partnerships, Committee recommendations and Committee minutes of past meetings (www.fsa.usda.gov/dafl/advisorycommittee.htm). Concerning the update on recommendations, Mr. Hoefner raised a concern he had on NRCS responses to numerous recommendations, and that the Committee could address it in their recommendations tomorrow.

DISCUSSION OF SECRETARY'S REMARKS ON NEXT GENERATION OF FARMERS AND RANCHERS

A general discussion was held concerning the Secretary's remarks to the National Association of Farm Broadcasters on May 2, 2005 (concerning listening sessions he would be holding across the country, and his specific question stating "Are we doing enough to encourage and support the next generation of farmers and ranchers ...?"). Committee members discussed the number and location of the sessions that have been held along with others planned in the future. Mr. Hoefner mentioned the Committee is fortunate that the current Secretary has the initiative to hold the forums and there is an opportunity to weigh in on Farm Bill proposals. He suggested when the Committee

formulates recommendations tomorrow they consider recommending that USDA seriously consider a Beginning Farmer and Rancher title in the 2007 Farm Bill.

DISCUSSION OF FSA'S CONSERVATION RESERVE PROGRAM (CRP)

Before adjourning for the day, members discussed issues associated with FSA's Conservation Reserve Program. Mr. Hoefner mentioned the CRP program takes land out of production for 10 to 15 years. He said there are a massive number of acres that will be available in 2007, 2008, and 2009. There will be 28 million acres in contracts coming due that will need to be re-enrolled or replaced. There is an expectation that the White House will make an announcement at the end of the month for CRP to be automatically re-enrolled. Mr. Hoefner addressed last year's Committee recommendation which stated incentives be provided for land transitioned to beginning farmers and ranchers. He said USDA's response didn't recognize the authority given in the 2002 Farm Bill, and that an expedited recommendation might be needed because of the anticipated upcoming announcement.

Chairperson Wirth suggested to adjourn the meeting for the day and recessed the meeting until 8:00 AM the next day.

The session adjourned at 5:10 p.m.

Tuesday, August 9, 2005
8:00 a.m.

Chairperson Wirth called the meeting to order at 8:05 AM., and read an article in the Omaha World Herald regarding the Committee meeting. The article was written by Chris Clayton, who attended yesterday's meeting.

Mr. Stokes recommended that each Committee person attempt to get a local news story published based upon the article. He also recommended FSA do a story. Mr. Falcone indicated that he would speak to Public Affairs "quickly" upon return to attempt to get a press release issued. He mentioned FSA did do a press release prior to the meeting.

Chairperson Wirth recommended the prior year's minutes be approved. Mr. Guzman made a motion to approve the prior year's minutes. Ms. Bowlan seconded the motion. The motion passed with no opposition.

Mr. Wirth then discussed the format for establishing recommendations, and mentioned members should consider new ones as well as reviewing last year's recommendations to determine if follow-up action is needed. A general discussion ensued, with emphasis placed on a Beginning Farmer and Rancher title in the 2007 Farm Bill and NRCS issues. Several members were concerned that the NRCS recommendations were not fully addressed and discussed this at length.

Mr. Doug Gahn, NRCS Outreach Coordinator, Nebraska State Office, mentioned NRCS officials asked him to attend the meeting. He mentioned the Committee ideas are outstanding, including on CRP issues. He was concerned over some of the criticism directed at NRCS and mentioned the CRP program is administered by FSA. He mentioned he would like to see NRCS at the National level become more involved with issues the Committee has raised.

A general discussion ensued on CRP and NRCS's Environmental Quality Incentives Program (EQIP). Mr. English addressed last year's recommendation concerning the 90 percent cost-share allowance for beginning farmers and ranchers under the EQIP program, and said that in Arkansas only seven contracts were approved. There was a general discussion on this and comments were made that some NRCS state offices are not providing the extra cost-share benefit for beginning farmers and ranchers since some are doctors and lawyers, and the intent of the law is to help those in need.

Mr. Falcone mentioned that a group of USDA officials from various agencies took the appropriate parts of the FSA beginning farmer and rancher definition that didn't apply to the loan program and determined that would be the official definition for the rest of USDA. Mr. Falcone went on to explain that the portion of the FSA definition that said a beginning farmer or rancher is one "who demonstrates that the available resources of the applicant and spouse (if any) of the applicant are not sufficient to enable the applicant to continue farming or ranching on a viable scale" was inadvertently left out, resulting in

doctors, lawyers, and others who wouldn't need the increased cost-share benefit to receive it.

Members then discussed other items to be considered for recommendations, as listed below:

1. Mr. Stokes (**comment**): A young beginning farmer and rancher title.
2. Mr. Lang: (**comment**): Tax financial incentives.
3. Mr. English (**comment**): We need an increase in FSA direct loan limits.
4. Mr. Lang (**comment**): A program linking retiring farmers with beginning farmers.
5. Ms. Prentiss (**comment**): Concerning the report passed around yesterday on "Growing New Farmers", capitalize on that by doing a media blitz.
6. Ms. Bowlan (**comment**): The Committee should look at what the "rural landscape" will look like in the future.
7. Mr. Hayes (**comment**): Inter-agency cooperation on beginning farmer and rancher issues.
8. Ms. Hill-Moore (**comment**): There needs to be full funding for the 2501 Program and more funding for USDA outreach offices.
9. Mr. Mobley (**comment**): There needs to be more emphasis on beginning farmers and ranchers at the secondary school level. Need to provide incentives to schools offering more information on beginning farmer and rancher issues.
10. Mr. Lang (**comment**): FSA should have more of a partnership with FFA.
11. Ms. New (**comment**): The Committee heard from FCS of Omaha Nathan Rudgers concerning FCS's Ag Start program. FCS should share what they've done so this program can be available in all regions.
12. Mr. Stokes (**question**): Do we have a beginning farmer and rancher web page? (Mr. Falcone responded, yes). Maybe some website hosted by FSA could have appropriate links to all different programs in one site. Mr. Dodson mentioned SBA did something similar so there is a precedent and that it's a good idea (Mr. Dodson and Mr. Falcone agreed to look into it).
13. Mr. English (**comment**): We need to abolish term limits for FSA loans. Ms. Prentiss thought they should be lengthened, not abolished.

14. Chairperson Wirth (**comment**): We need to discuss proposed H.R. 651, the use of Aggie Bonds.
15. Mr. Barta (**comment**): FSA's guaranteed interest assistance program.
16. Ms. New (**comment**): FSA's Guaranteed Land Contract Pilot Program.
17. Mr. Barta (**comment**): CRP.
18. Mr. Hayes (**comment**): Charter to have Federal and State programs work better together. Share our comments and recommendations with States. Establish Federal/State partnerships with National Association of State Agricultural Finance Programs.
19. Mr. Lang (**comment**): Proposed H.R. 2034, tax credit incentives. Ms. Beethe mentioned Senator Hagel is to introduce this into the Senate, and the Committee should have a recommendation to support the bill.
20. Ms. Bowlan (**comment**): There should be a reimbursement for farmers and ranchers taking business planning courses.
21. Mr. Stokes (**comment**): I would like to see funding for the Beginning Farmer and Rancher Development Program (authorized in the 2002 Farm Bill). Mr. Falcone mentioned funds weren't included in the CSREES 2006 budget.
22. Mr. Garza (**comment**): Better promotion of what USDA agencies are doing to promote young beginning farmers and ranchers. Are they all doing what they are supposed to do? Ms. Bowlan said this was a good idea, is a follow-up to last year's first recommendation, and that USDA needs to develop some measurable outcomes.

Mr. Hoefner made the motion to request the Secretary meet with a small delegation of Committee members so they could present the recommendations and briefly discuss some of the major issues (Beginning Farmer and Rancher title in the Farm Bill, 2501 full funding, a USDA mission focus, NRCS issues). Ms. Prentiss seconded the motion. The motion passed with none opposed.

A general discussion ensued on USDA beginning farmer programs, including an overall mission focus with outreach, publications, website information, etc.

1. Ms. Diller (**comment**): There is a lack of beginning farmers and ranchers on the Committee (this was mentioned in the Omaha World Herald article published this morning) and the presence of young beginning farmers and ranchers on the Committee is necessary.

2. Mr. Falcone (**comment**): The law requires members consist of representatives from seven groups. USDA decided that farmers and ranchers should be on the Committee. We can look at having more young farmers and ranchers on the Committee. There are two representatives from each of the required 7 groups and 6 farmers and ranchers serving.

Chairperson Wirth asked the Committee to work on draft recommendations, starting with last year's recommendations to determine if follow-up is needed. Several members brought up NRCS issues again.

Mr. Soren made a motion to reiterate that the Secretary direct 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. Mr. English seconded the motion. The motion passed with none opposed.

Ms. Bowlan made a motion to raise NRCS issues (previous recommendations not receiving meaningful responses) under one umbrella with the Secretary and request a small group of Committee members to meet with appropriate parties of NRCS. Mr. Hoefner seconded the motion. Discussion ensued as there was some concern about "going around the Secretary", and why not bring these issues up when the small Committee delegation meets with the Secretary. Ms. Bowlan was in favor of amending the motion and the original motion was struck. Ms. Bowlan made a motion that these issues are raised with the Secretary when the small delegation of members meets with him. Mr. Hoefner seconded the motion. The motion passed with none opposed.

Mr. Wirth asked members to discuss previous recommendation number 8 (NRCS's Farmland and Ranch Protection Program (FPP)). There was a general discussion on the program.

Ms. Ruhf made the motion to congratulate the Secretary for implementing the requirement in the FPP final rule; but seek out how states are complying with the program. Ms. Bowlan seconded the motion. The motion passed with none opposed.

Mr. Wirth asked for members to discuss previous recommendation number 9 (NRCS should review all program rules and remove barriers that may prevent beginning farmers and ranchers participating in programs. The recommendation also had an example concerning EQIP and irrigation requirements).

1. Mr. English (**comment**): I'm particularly interested in beginning farmers not having access to cost-share under EQIP because of irrigation requirements. A lot were prevented from obtaining assistance and it is critical for beginning farmers and ranchers.

2. Mr. Guzman (**comment**): The purpose of the EQIP program is to for water conservation. The issue is not applicable under this program.
3. Ms. Ruhf (**comment**): Our recommendation for NRCS was to remove all barriers. Have they done so?
4. Mr. Hoefner (**comment**): Last year's response is telling us that there is some special outreach for limited resource farmers and ranchers. We should have it applied to beginning farmers and ranchers as well.
5. Mr. Lang (**comment**): We should have a general recommendation for the Secretary to meet with NRCS and review all of their programs, and enhance opportunities for young beginning farmers and ranchers.
6. Ms. Ruhf (**comment**): I think it should be amended to include a measure and reward for participation.

Mr. Hoefner made the motion to recommend that the Secretary meet with NRCS and review all of their programs, and enhance opportunities to beginning farmers and ranchers and ask for a response as to what was achieved. Ms. Ruhf requested a modification to add a provision in the motion to measure and reward participation. Ms. Ruhf seconded the motion. The motion passed with only Mr. Soren opposing.

Mr. Wirth asked members to discuss previous recommendation number 10 (NRCS's Conservation Security Program (CSP)).

1. Mr. Soren (**comment**): Beginning farmers can get up to \$40,000 if they put their whole farm in CSP. We need to restate the original recommendation that NRCS fully fund CSP and make it available nationwide to all young beginning farmers and ranchers.
2. Mr. Lang (**comment**): The intent was to bundle all previous NRCS issues together to be comprehensive to address under one umbrella. (Mr. Lang made a motion to author a letter to incorporate all NRCS recommendations and allow the Committee to have editorial review and compile a letter to the Secretary. That motion was then withdrawn.)

There was general discussion on the CSP program and NRCS programs in general. Chairperson Wirth said that Mr. Soren has a specific recommendation that needs to be adequately addressed. He said it was important to deal with all NRCS issues under one umbrella approach, that he would help with the language, and it would be e-mailed to all members for input/concurrence. He asked to move from the NRCS discussion. With this, the Committee moved on to recommend a Farm Bill Title.

Mr. Hoefner proposed a general recommendation that the Secretary develop a beginning farmer and rancher title or a more specific title that is separate or cross cutting among all programs.

Ms. Prentiss made the motion to recommend the Secretary champions beginning farmer and rancher initiatives and are emphasized or included in the forefront of the Farm Bill and within every relevant title. Mr. Hoefner seconded the motion. The motion passed with none opposed.

Mr. Reed made a motion to recommend that the Secretary support full funding of the Small Farmer Outreach, Training, and Technical Assistance (Section 2501) Program. Mr. Garza seconded the motion and it passed with none opposed.

Mr. Hoefner brought up last year's first recommendation concerning a mission area focus within USDA on beginning farmer and rancher issues. He asked Mr. Falcone if anything had been done on this. Mr. Falcone informed members that FSA had submitted an option memorandum to the Secretary concerning this recommendation.

Mr. Hayes made the motion to incorporate last year's first recommendation into a new recommendation and add that the Secretary appoint a position in the Secretary's office to have primary responsibilities to coordinate all beginning farmer and rancher mission areas throughout the department. Mr. Hoefner seconded the motion and it passed with none opposed.

HONORABLE DAVE HEINEMAN, GOVERNOR OF NEBRASKA PRESENTATION

Chairperson Wirth introduced Governor Dave Heineman of Nebraska, who mentioned that beginning farmer and rancher issues are very important. He said that small rural communities are the backbone of Nebraska, and the average age of farmers is over 55. Governor Heineman indicated that Nebraska has been targeting value-added agriculture, such as ethanol production and pointed out that Nebraska ranks third in the production of ethanol in the U.S. The state recently passed beginning farmer and rancher legislation that provides a tax credit incentive to farmers and ranchers who enter into leasing arrangements with beginning farmers or ranchers for a three-year period or longer. He mentioned he would like to see Washington support proposed H.R. 2034, a bill that would eliminate the capital gains tax for retiring producers who sell their property to first-time farmers/ranchers.

The floor was opened for comments and questions. Discussion ensued on proposed H.R. 2034 and other incentives to help beginning farmers and ranchers. Chairperson Wirth thanked the Governor for his comments and resumed discussion on recommendations for the Secretary.

Ms. Beethe requested support of H.R. 2034 (number 18 of last year's recommendation) or the President's proposal.

Mr. McKnight made a motion to recommend USDA support this proposed bill. Ms. Beethe seconded the motion. The motion passed with none opposed.

Mr. Hoefner made a motion to once again recommend funding for the Beginning Farmer and Rancher Development Program (last year's recommendation number 16) Mr. Stokes seconded the motion. The motion passed with none opposed.

Mr. Hoefner made the motion to recognize the progress made by CSREES concerning the National Research Initiative Competitive Grants Program (last year's recommendation number 17) and to encourage continued funding (\$5 million) of the program and encourage beginning farmers and ranchers be included. Mr. McKnight seconded the motion. The motion passed with none opposed.

Ms. Bowlan mentioned a USDA study was done some time ago having income support for farmers rather than commodity support. She would like to have USDA look at this idea to consider income support instead of commodity support. There was general discussion on this issue. Mr. Dodson was familiar with the study and mentioned it was on the USDA website and he would find it.

Ms. Bowlan made the motion to encourage the Secretary to pursue alternative incentives to help people get started in farming rather than a commodity support approach to beginning farming and ranching. Mr. Soren seconded the motion. The motion passed with none opposed.

Mr. English said that FSA's direct loan limits need to be increased from \$200,000. There was discussion on what the level should be raised to. Ms. New mentioned that FSA's Farm Loan Chiefs Association recommended indexing the limits as the law requires for guaranteed loan limits. Mr. Hoefner was concerned that if the limit is raised without Congress raising the budget authority, there would be fewer farmers and ranchers having access to FSA loans. After hearing all comments, a motion was made.

Mr. Lang made a motion for the Secretary to increase the loan limits per borrower with latitude to split between operating loans and farm ownership loans similar to the FSA guaranteed loan program, subject to obtaining budget appropriations to support the need and tying it to an annual modest price increase. Ms. New seconded the motion. The motion passed with none opposed.

There was then discussion on whether to address FSA's term limits on loans (number of years producers are eligible to receive loan assistance). Ms. New asked Mr. Falcone if he knew how many borrowers would be ineligible for assistance. Mr. Falcone indicated that approximately 7,000 borrowers would be ineligible for direct loans in FY 2007 and 10,000 more in FY 2008.

Ms. New made a motion to recommend the Secretary review the impact that term limits will have on direct and guaranteed loans in FSA and the farming community, including beginning farmers and ranchers and to ensure adequate alternative credit will be available. The impact study should be done as soon as possible. Mr. English seconded the motion. The motion passed with none opposed.

Mr. Hoefner commented on FSA's proposed rule for its guaranteed interest assistance program, and is concerned that requiring a debt-to-asset ratio of greater than 50 percent, many beginning farmers and ranchers would be excluded from receiving a subsidized interest rate. A general discussion ensued.

Mr. Hayes made a motion to recommend the Secretary continue the existing guaranteed interest assistance program for beginning farmers and ranchers. Mr. Barta seconded the motion. The motion passed with none opposed.

Mr. McKnight and Ms. Diller mentioned there is a public perception issue that needs addressing and would like to make a motion. There was general discussion on recommending a media campaign to change the public perception on farming and ranching.

Mr. McKnight made a motion to inform the general public that the Committee would encourage the Secretary to exert his considerable influence in a media campaign to enhance public perception of farming and ranching realities including family life and economic realities of the true purpose of farm and ranch support to perpetuate the availability of a reasonably priced food supply for the American public. We believe a campaign of this nature will, over time, create a positive environment within the American culture towards agriculture, thus encouraging young people to enter the farming and ranching industry. Ms. Diller seconded the motion. The motion passed with none opposed.

Ms. Bowlan mentioned that there are fewer owner/operators, and we need to start having a national conversation about it. If we have more beginning farmers and ranchers on the landscape, we will have more small businesses and stronger small communities.

Ms. Bowlan made a motion to commend the Secretary on his efforts with his listening sessions and recommend the Secretary consider starting a national conversation, other forum or activity that would stimulate rural landscapes and the future of beginning farmers and ranchers on land tenure and the structure of agriculture. Ms. Ruhf seconded the motion. The motion passed with none opposed.

Mr. Barta mentioned opportunities should be enhanced for beginning farmers and ranchers by advocating early exit of existing CRP easements. A general discussion ensued on limiting it to the last two years of the contract, preventing abuse, and making sure that the opportunities would go to beginning farmers and ranchers whose resources were limited.

Mr. Barta made a motion to expedite a recommendation to the Secretary to allow CRP contract holders within the last two years of the expiration of the CRP to be released of their obligation with payment, if the property was released to a beginning farmer or rancher, subject to the landowner putting the CRP land under the tenancy of the beginning farmer or rancher, and that the definition used to define beginning farmers and ranchers would be the one used for FSA loan eligibility. Mr. Hayes seconded the motion. The motion passed with none opposed.

Paul Johnston, Nebraska Farm Bureau introduced himself as the former Assistant Director of Nebraska Agriculture. He provided comments about H.R. 651.

Mr. McKnight motioned to recommend that the Secretary support H.R. 651. Mr. English seconded the motion. The motion passed with none opposed.

MISCELLANEOUS ITEMS

Chairperson Wirth discussed the public comments made to ascertain if any should be incorporated into recommendations. Each was addressed below:

- A. Jeff Koch comments. This is an issue addressed in the proposed bill H.R. 2034.
- B. Mary Mervia comments. No follow-up needed.
- C. Jeff Borchardt comments.
 - 1. Mr. Stokes (**comment**): I like the concept of using options. I believe there is already language. I would recommend the Secretary pursue an options pilot program.
- D. Chris Beyerhelm comments. Already discussed.

Other miscellaneous issues were discussed.

- 1. Ms. Ruhf (**question**): What happened to borrower training? Can it be revisited next year?
- 2. Mr. Falcone (**answer**): FSA's final rule will say that if it was once waived, the borrower could still be required to take borrower training in the future.
- 3. Ms. Beethe (**comment**): If beginning farmers and ranchers complete a business plan, maybe they could be eligible for health savings accounts.

Other oral comments:

A. Timothy Harlow. All 3 issues have been addressed.

1. Mr. Reed (**comment**): Backup to Outreach component. Must consider the extension service with 1862 and 1890 land grant institutions.

Chairperson Wirth (**comment**): I propose we take the remaining notes and work with Mark through email and address them and hand out work assignments.

- a. Marion Bowlan – Farm Link
- b. Marion Bowlan and Marion Beethe – Business Planning Incentive
- c. Latrice Hill-Moore and Hazell Reed – Outreach Funding
- d. Ray Mobley, Trent McKnight and Mark Falcone – What can FSA do with FFA, and address the FSA website issue concerning linking with others serving beginning farmers and ranchers.

Mr. Hays made the motion to adjourn. Mr. Reed seconded the motion. The motion passed with none opposed.

Chairperson Wirth thanked everyone for their participation.

The meeting adjourned at 4:15 p.m.