

# **MEETING MINUTES**

## **ADVISORY COMMITTEE ON BEGINNING FARMERS AND RANCHERS**

**EMBASSY SUITES HOTEL, 101 EAST LOCUST STREET  
DES MOINES, IOWA  
JULY 9 - 10, 2007  
8:30 a.m.**

### **WELCOME**

Trent McKnight, Vice Chair for the Secretary's Advisory Committee on Beginning Farmers and Ranchers (Committee) called the meeting to order at 8:30 a.m., July 9, 2007. He commented that he would oversee the meeting for Linda Prentiss, Chair of the Committee, as she was unable to attend due to exigent circumstances at her ranch. Mr. McKnight 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), Lisa Koester (farmer, Indiana), Maria Moreira (farmer, Massachusetts), Omar Garza, (farmer and rancher, Texas), Traci Bruckner (Center for Rural Affairs, Nebraska), Timothy Harlow (farmer, North Dakota), Marian Beethe (The Beginning Farmer Program and Farm Mediation Service, Nebraska), Janie Hipp (Department of Agriculture (USDA), Cooperative State Research, Education, and Extension Service (CSREES)), Mary Peabody (University of Vermont), Marion Bowlan (farmer, Pennsylvania), Catherine Twohig, (contractor for the Land Stewardship Project, Minnesota), Ray Mobley (Florida A&M University), Latrice Hill (USDA, Farm Service Agency (FSA), Mississippi), Ray Ellenberger (USDA, FSA, Wisconsin), Jeffrey Ward (Iowa Agricultural Development Authority), and Richard Cates, Jr. (University of Wisconsin).

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 Chris Beyerhelm (FSA, Assistant Deputy Administrator for Farm Loan Programs).

## **OPENING REMARKS**

Mr. McKnight introduced Mark Falcone, DFO for the Committee, who briefly covered the planned agenda for the meeting. Mr. McKnight then introduced Chris Beyerhelm, Assistant Deputy Administrator for Farm Loan Programs, FSA.

Mr. Beyerhelm welcomed everyone to Des Moines. He thanked Committee members for their time and effort concerning the important role they serve for beginning farmers and ranchers. Mr. Beyerhelm commented that the Committee was required by the Agricultural Credit Improvement Act of 1992, which also established FSA's beginning farmer loan programs, as well as authorizing partnerships with states interested in providing joint financing to beginning farmers and ranchers. He mentioned that since the legislation was implemented in 1994, more than 107,000 loans totaling \$9.6 billion in funds have gone to beginning farmers and ranchers. Further, USDA has signed MOUs with 21 states to assist beginning farmers and ranchers (there are 24 State beginning farmer programs).

Mr. Beyerhelm stated that the 2002 Farm Bill authorized the Secretary to provide higher payments to beginning farmers and ranchers in some of USDA's conservation programs. Further, it provided incentives for them to participate in conservation programs to foster new farming and ranching opportunities and enhance environmental stewardship over the long term. He announced that current Farm Bill changes in both the House and Senate propose to expand beginning farmer and rancher incentives.

Mr. Beyerhelm mentioned USDA agencies have provided grants to organizations that assist beginning farmers and ranchers. He also informed members that based on a recommendation last year by the Committee, FSA and the Natural Resources Conservation Service (NRCS) entered into a joint memorandum of understanding for FSA to provide up-front financing of cost shared expenses in conjunction with NRCS related projects. He discussed USDA Departmental Regulation 9700-001, Small Farms Policy, which as a result of a Committee recommendation, was amended by the Secretary in August 2006 to become a "Small Farms and Beginning Farmers and Ranchers Policy". He mentioned this policy was to be reflected in all USDA mission area and agency statements, strategic plans, performance plans, and performance goals.

Mr. Beyerhelm then discussed FSA's Strategic Plan. He mentioned that a performance measure in the first strategic goal is to increase the percentage of beginning farmers financed by FSA, and that the goal is tied to all FSA employees' performance to meet the President's Management Agenda.

He informed members that FSA held its annual Stakeholders meeting in March, and that beginning farmer and rancher assistance was one of the subjects addressed. Issues included a Farm Transition or Incubator program, an Equity Investment Program, Individual Development Accounts, and USDA's Farm Bill Proposals (he mentioned that Deputy Secretary Chuck Conner would brief members on the Farm Bill Proposals in the afternoon).

Mr. Beyerhelm discussed the growing concern of the increased average age of farmers and ranchers in the U.S. and the higher turnover rates associated with small farms. He outlined that the average age of farmers and ranchers in 1982 was 50.5 years, in 2002 was 55.3 years, and is currently 55.9 years. He added that farmers and ranchers below the age of 35 are steadily declining, raising concerns that there will be a lack of new entrants to replace the growing pool of retiring producers.

He addressed the issue of young farmers who are secondary operators on farms and represent future primary operators. Mr. Beyerhelm mentioned that a large percentage of these operators are involved in family partnerships and corporations, and that FSA has begun to look at ways to assist these secondary operators through existing programs.

Mr. Beyerhelm concluded his remarks and called for questions or comments. The paraphrased questions/comments and the presenter's paraphrased responses follows:

1. Mr. Ellenberger (**question**): Regarding secondary operators, how long before the eligibility requirements of FSA loan programs are changed?

Mr. Beyerhelm (**response**): Since the proposed changes are administrative and not statutory, this can be done internally, but changes will probably wait until after the next Farm Bill.

2. Mr. Harlow (**question**): To be eligible for FSA assistance, the applicant needs a Schedule F for 1-3 years. Is there a way around that?

Mr. Beyerhelm (**response**): Schedule Fs are not necessary. If a son or daughter is involved in the family operation, we need some documentation that they have the necessary experience (for a direct operating loan, an applicant needs applicable education, on-the-job training **or** some farming experience. For a direct farm ownership (FO) loan, the law requires an applicant to have participated in the operation of a farm or ranch for at least three years). Our concern for an FO loan is if someone is involved in management decisions. We require some documentation, but a Schedule F is not required.

## **INTRODUCTIONS**

Trent McKnight asked the Committee members, the public and speakers to introduce themselves. In attendance from the public were the following:

Alfonzo Drain, USDA, National Agricultural Statistical Service; Donald Obrecht, FSA Farm Loan Manager, Iowa; Robert Molleur, National Small, Limited Resource, and Beginning Farmers and Ranchers Program Manager, NRCS; Jerry Leonard, farmer, Fairfield, Iowa; Michael Duffy, Director, Beginning Farmer Center, Iowa State University; Tim Hoskins, *Iowa Farmer Today*, Cedar Rapids, Iowa; Ron Harris, Team Leader, Community and Rural Assistance, NRCS; Brian Gossling, Iowa Farm Loan

Chief, FSA; Paul Frederickson, Iowa Farm Loan Specialist, FSA; Alan Roebke, Truepolicy.com, Chaska, Minnesota; Kyle Maas, farmer, Alden, Iowa; Nathan Underwood, farmer, Ames, Iowa; and Jayme Ungs, US Bank, Boone, Iowa.

## **FARM BILL PROPOSALS/ GOVERNMENT ACCOUNTABILITY OFFICE (GAO) AUDIT PRESENTATION**

Trent McKnight introduced Ellen Huntoon, Majority Professional Staff, Rural Development Coordinator for Senator Tom Harkin (D-Iowa), Senate Committee on Agriculture.

Ms. Huntoon thanked the Committee for her invitation to speak and apologized for Senator Harkin's inability to attend because of his extensive involvement in current Farm Bill initiatives. She commented that with the current stage of the Farm Bill, any new recommendations would probably be moot at this point. She summarized aspects of the Farm Bill legislation and provided an overview of some important directional points and the primary focus of the majority (**Attachment 1**).

She emphasized that the Senator wants to limit FSA subsidy (direct) payments and that savings from that would go towards conservation, rural development, and energy programs. Ms. Huntoon concluded her 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 responses follows:

1. Mr. Hays (**question**): Is there a proposal for guaranteed programs for small markets and processing firms?

Ms. Huntoon (**response**): Under the Rural Development provisions, there will be a proposal for a \$2.5 million maximum, 90% Business and Industry guaranteed loan. I believe it may be referred to as a healthy foods enterprise, which will be a new loan program. We can authorize new programs; however, getting funding is the problem.

2. Mr. Barta (**comment**): There is a strong desire to limit subsidy payments. The public conception of the term "subsidies" is damaging. For years the intent was that support payments would allow consumers to have favorable and affordable food. Lenders have a preference for income support to come from the market place rather than the government. Kansas has been going through many years of drought and off-farm jobs are very limited. The bottom line is many want to limit support payments, but there are areas where farmers need these payments.

Ms. Huntoon (**response**): I agree and it's a point well taken. It's hard to go to the urban population for support for subsidies. Senator Harkin is committed to conservation. The intent was for the Conservation Security Program to do away with subsidy support.

3. Ms. Peabody (**comment**): In Vermont, Individual Development Accounts have been the key to success for micro enterprise entrepreneurs. This program would have much potential if included in the Farm Bill.

Ms. Huntoon (**response**): I agree.

4. Mr. Harlow (**comment**): Do you think there will be a new Disaster title in the Farm Bill and a Beginning Farmer and Rancher title?

Ms. Huntoon (**response**): Senator Harkin wants a separate disaster provision, but it's unlikely to happen. There would not be support for a Beginning Farmer and Rancher title. We took pieces and put them in the Credit, Conservation, and other titles.

5. Ms. Bruckner (**comment**): The committee would like to applaud Senator Harkin on his efforts to reduce subsidy payments and for supporting beginning farmers and ranchers and small and mid-sized operators.
6. Ms. Bowlan (**comment**): Is there any discussion about income support in lieu of subsidy support for beginning farmers and ranchers? Can there be more support for farmers and public education as to where food comes from? Maybe there can be more public announcements.

Ms. Huntoon (**response**): Regarding guaranteeing income, I don't see that happening. We would rather go the conservation route. On your second question, there's nothing proposed, but in Iowa we do have initiatives promoting local food.

5. Mr. Mobley (**question**): What is the status of the Outreach, Training and Technical Assistance (2501) program?

Ms. Huntoon (**response**): It will be in the Farm Bill, but I don't know what the level of funding will be.

In closing, Ms. Huntoon briefed the Committee on a GAO audit requested by Senator Harkin in 2004 to see what USDA has done to assist beginning farmers and ranchers. GAO initiated the audit in September 2006, and she mentioned it would be finalized by September of 2007.

## **YOUNG FARMER PANEL**

Mr. McKnight introduced Kyle Maas, livestock farmer from Alden, Iowa (graduated from Iowa State in May 2007); Nathan Underwood, mink ranch and row crop farmer from Ames, Iowa (will graduate from Iowa State in December 2007); and Jayme Unga, Vice President, US Bank, Boone, Iowa. The panel provided a brief introduction about

their personal and business lives and then asked for questions from the Committee. The paraphrased questions/comments and the presenter's paraphrased responses follows:

1. Ms. Koester (**question**): What are some of your biggest challenges?  
Mr. Maas (**response**): Ethanol is driving the cost of corn up, but access to credit is probably first and foremost my biggest challenge.
  
2. Mr. McKnight (**question**): What has driven the two of you to come into production agriculture?  
  
Mr. Underwood (**response**): I'm truly passionate about it. I want to do what my Dad does every day.  
  
Mr. Maas (**response**): I grew up with it and am also very passionate about farming.
  
3. Mr. McKnight (**question**): What can be done to encourage other young people to get into agriculture?  
  
Mr. Underwood (**response**): We need to instill that someone is going to farm the land and there is money in it.
  
4. Mr. Cates (**question**): You two young men epitomize the next generation of farmers. Your entrepreneurship are inspiring stories. Did you get business plan training and has that helped you or is there a more need for training?  
  
Mr. Maas (**response**): I have had exposure to business plan training.  
  
Mr. Ungs (**response**): The key to success is who new farmers surround themselves with. We need to teach more than just the production side. I teach them financial management.  
  
Mr. Underwood (**response**): My main reason for going to school is the business aspect. I already have the skills for production, but, the financial knowledge is what I really wanted.
  
5. Mr. Barta (**question**): Concerning risk protection for marketing strategies-Jayme, what percentage have a marketing plan for risk protection? Kyle and Nathan, did each of you grow up with marketing strategies?  
  
Mr. Ungs (**response**): We see this as two age groups. Those 40 and above have a higher percentage of risk. The younger generation is more aware of the risk and doing what they can to offset it. They are more diversified.

6. Mr. Beyerhelm (**comment**): Jayme is a personal banker. I am concerned with the consolidation of the banking industry and use of credit scores.

Mr. Ungs (**response**): Definitely there is a consolidation with every industry and banks are a part of it. I don't care how big a bank is. If the person doing the lending doesn't care what you do, that is a problem. At my level, we still work closely with the people. We need to make sure we have enough people in the banking industry that love agriculture.

Mr. Lang (**question**): What kind of experience do you have with the FSA guaranteed beginning farmer programs?

Mr. Ungs (**response**): We participate in the FSA programs and the Iowa Development Authority programs (State Beginning Farmer Program). We utilize FSA's 10/40/50 (downpayment ) and 50/50 (joint financing) program. Beginning farmers get more benefits when they obtain joint financing from FSA and Iowa's State program.

7. Ms. Bruckner (**question**): Are you interested in and have you considered niche markets and direct marketing to consumers?

8. Mr. Maas (**response**): I had a chicken direct marketing business that was successful. Then I went to college and didn't continue with the business.

Mr. Underwood (**response**): I've tried niche markets with chickens and it was very labor intensive.

9. Mr. Garza (**question**): Did either one participate in an FSA youth loan?

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

Mr. Underwood (**response**): No, I wasn't aware of the program.

Mr. Garza (**comment**): FSA needs to do more.

10. Mr. Falcone (**comment**): In Texas there were only 110 youth loans; whereas Kentucky there were 329. Some states are doing a very good job at utilizing the program while others are not.

11. Ms. Bowlan (**question**): Land values are going up. Any ideas about what we can recommend to help?

Mr. Ungs (**response**): The proposed changes in FSA programs should help. The interest savings in loan programs can help offset the purchase price of land.

Mr. Maas (**response**): I agree with Jayme. Tax exemption passed on to the land owner would also be an incentive. Farmers are concerned about the next generation of agriculture and who gets the land.

Mr. Underwood (**response**): Interest buy-down to give beginning farmers an edge to compete with other prospective purchasers would be helpful.

Mr. Maas (**response**): Being able to come up with a down payment is an issue, even under FSA's downpayment program.

12. Ms. Beethe (**question**): Any experience working with estate planning issues for farming?

Mr. Underwood (**response**): I just ran into it. A trust going to three siblings, and they now live in Chicago and don't understand. The farm will probably be lost at auction because the second generation is off the farm and is not interested in selling it to a farmer.

Mr. Maas (**response**): The seller of land is happy I approached him to buy because when he passes away, his kids don't want the farm. His farm has a lot of sentimental value to him.

Mr. Ungs (**response**): There is a tremendous amount of land changing hands. I encourage being proactive.

13. Mr. Cates (**question**): In Wisconsin we have use-value assessment taxes lower if the land is in farming. We teach students to work with landowners no longer in farming. The retired farmer will have lower taxes and receive income from leasing. Is there a tax credit in Iowa?

Mr. Ungs (**response**): As of January 1, 2007, there is a new program giving landowners a tax credit to help beginning farmers enter farming. They can receive a 5 percent credit for cash rental agreements and up to 5 percent for a crop- or livestock-share agreement.

## **ISSUES FACING BEGINNING FARMERS AND RANCHERS PRESENTATION**

Mr. McKnight introduced Michael Duffy, Director, Beginning Farmer Center, Iowa State University, Department of Economics. Mr. Duffy presented a PowerPoint presentation (**Attachment 2**) on issues that beginning farmers and ranchers are facing in their attempts to enter agriculture and remain viable business operations. At the conclusion of Mr. Duffy's presentation the floor was open to questions and comments. The paraphrased questions/comments and the presenter's paraphrased responses follow:



1. Mr. Hays (**question**): What has been the pressure to move from crop share to cash rents?

Mr. Duffy (**response**): One is from the side of the owners, and the other side is the producers. Both want to deal with cash rents these days.

2. Mr. Duffy (**comment**): In leaving I would like you to keep three things in mind: 1) help organizations that are trying to provide educational assistance for retiring and beginning farmers; 2) loan programs are good; and 3) my concern with USDA's definition of a farm, which needs to be changed from the baseline of \$1,000 in sales. An operation with sales of \$1,000 doesn't even represent a good 4-H project.

## **PUBLIC COMMENTS PRESENTATION**

Mark Falcone provided a handout with information on written comments received by members of the public (**Attachment 3**), and mentioned he would read them after those in attendance made their comments.

He then introduced the following members of the public who had requested to make oral comments:

### **ALAN ROEBKE, TRUE POLICY.COM., CHASKA, MINNESOTA**

Mr. Roebke provided the Committee with background and presentation information (**Attachment 4**). He commented that he represents True Policy, which is an independent watch dog group for agricultural concerns. He encouraged the Committee to listen to the farmers that were engaged as panel members earlier in the day about the need for capital. He then concluded his remarks by thanking the Committee for his opportunity to speak.

### **JERRY LEONARD, OWNER-OPERATOR FARMER, FAIRFIELD, IOWA**

Mr. Leonard explained he wasn't able to continue farming after the death of his parents, because he wasn't able to buy the family farm due to a lack of an ability to pay the market value his siblings demanded when it was in an estate. He is currently farming in a partnership. His main point of discussion to the Committee was that farmers need tax incentives to keep them in farming.

## **FARM BILL PROPOSALS PRESENTATION**

Chuck Conner, USDA, Deputy Secretary provided a discussion on beginning farmer and rancher programs to be considered in the 2007 Farm Bill and the position of the current administration. He shared a life story with a theme that was central to beginning farmers

and ranchers. Mr. Conner conveyed a message of the Secretary's commitment to agriculture. He summarized that:

- He and the Secretary have discussed many times the importance of lowering the financial barriers for beginning and socially disadvantaged farmers and ranchers.
- They have made dozens of trips to Capitol Hill to convey the Bush Administration policy, many times on beginning farmer and rancher issues.
- The Secretary is encountering resistance concerning some of the Administration's proposals on the Farm Bill, however, making some progress.
- The bill through the House subcommittee does not provide any real change for beginning farmers and ranchers.
- The House Ag Committee is taking beginning farmer and rancher issues up again during the September session.
- The Senate Ag Committee will be working on this as well this month.
- A lot of concepts proposed on beginning farmers and ranchers issues are being addressed, but, without financial resources to support the change proposals.
- A lot of current efforts are not going well for loan programs in the House. There has been a re-vamping of a number of programs such as the beginning farmer down payment program and a reduction of the percentage of funds we proposed to set aside for beginning farmers and ranchers.
- Ideas in USDA's proposals came from country-side discussions (listening sessions) as well as the Beginning Farmers and Ranchers Advisory Committee.
- Senator Harkin has a strong interest in beginning farmer issues.
- Doing more for beginning farmers and ranchers means doing less for other groups. It may mean to make choices to shift those resources not in need to beginning farmers and ranchers.
- He didn't want to leave the impression that the only way to get beginning farmers and ranchers interested is by providing financial assistance, but to expect the best and brightest to return to farming, and that quality of life issues, such as access to health care, hospital facilities, and emergency rooms are very important.

Mr. Conner concluded his presentation and asked if there were any questions and the floor was opened for questions/comments. The paraphrased questions/comments and the presenter's paraphrased responses follow:

1. Mr. Garza: (**question**): How does USDA define a critical access hospital?

Mr. Conner (**response**): If it's located more than 35 miles from any other hospital. It's designated by the Department of Health and Human Services. There are 1,283 currently designated across the U.S. There is also a specific definition.

2. Ms. Beethe: (**question**): The biggest problem to entering farming is affordable health insurance. Is there something available for a pilot?

Mr. Conner (**response**): This is not something we have been considering (he shared an experience of his brother who is a farmer and also working on the Rural Electrification Cooperative Board just to qualify for health insurance).

3. Mr. Cates: (**comment**): The Beginning Farmer and Rancher Development Program, with matching funds, could really help in providing assistance to beginning farmers and ranchers (authorized in the 2002 Farm Bill but not funded). If you can build a community development program, you can do a lot to get young farmers interested.

Mr. Conner (**response**): There is a bright future in agriculture not fully realized 5-10 years ago. There is good income to be made in years to come. To get young people started, the playing field needs to be leveled a bit.

4. Ms. Koester (**question**): Frustration in my area is rural access to the internet. What is your position on this?

Mr. Conner (**response**): USDA puts \$500 million annually on community support in rural areas for broadband access. This is so popular that we have a \$30 billion backlog for these programs.

## **UPDATE ON 2006 RECOMMENDATIONS PRESENTATION**

Mr. Falcone read the written comments from members of the public that he handed out after lunch, and then provided members with an update on the 2006 Advisory Committee recommendations (**Attachment 5**) (this was e-mailed to committee members prior to the meeting for their review). Mr. Falcone then asked Robert Molleur of NRCS to address the NRCS recommendations. Before ending the discussion on recommendations, Janie Hipp commented on USDA grants, and that as a new employee at CSREES, the Agency needs panel members to review grant applications.

## **NEW RECOMMENDATIONS DISCUSSION**

**Mr. McKnight called for a motion to approve the 2006 Committee minutes. Mr. Mobley made a motion to approve them (they were provided to all members via email after last year's meeting). Ms. Peabody seconded the motion. The motion carried unanimously.**

Mr. McKnight reiterated the purpose of the Advisory Committee and reviewed the Committee Bylaws. He mentioned the Committee should provide 10-15 solid recommendations, and they should be categorized into three groups:

- NRCS (Conservation)
- Finance Programs
- Outreach

He asked if there were any other categories. Marion Bowlan suggested “Quality of Life Issues”. Mr. McKnight asked members to select an area of interest and divide into four groups to develop discussion points for each of the categories and reconvene after discussing them. Members reconvened after discussing potential recommendations within the four groups.

There was a brief discussion on conservation issues addressed in last year’s recommendations. Mr. McKnight informed the group to come back to this subject later. Members then discussed the following:

### OUTREACH

1. Ms. Hipp (**comment**): Those involved in outreach, extension and education need to teach grant-writing skills, as applications for grants are now internet driven. I would recommend that we foster more efforts to ensure coordination of outreach efforts. I also think the 2501 program needs to be funded at \$25 million. We should also promote replication of beginning farmer and rancher models that are successful.
2. Mr. McKnight: (**comment**): There is a need for farm transition programs.
3. Ms. Bowlan (**comment**): We need to promote local food production by highlighting beginning farmers and ranchers and tell their stories.

### FINANCIAL

1. Ms. Lang (**comment**): We need to explore tax incentives. FSA term limits for both direct and guaranteed loans need to be discussed. We should also discuss incubator lending and Individual Development Accounts (IDAs).

### QUALITY OF LIFE

1. Ms. Koester (**comment**): We should support rural health care initiatives. There is a need for access to healthcare and health insurance protection. Perhaps FSA

County Committee members could qualify for health insurance. I am also concerned about internet/broadband access in rural communities.

Once again there was some general discussion on conservation issues and then a brief discussion on Section 1031 tax exchanges (which allows investors to defer capital gains taxes on the exchange of like-kind properties), the definition of beginning farmer, and first year payment deferrals on FSA downpayment loans.

**Mr. McKnight moved to adjourn the meeting for the evening and reconvene tomorrow at 8:00 a.m. Ms. Bowlan seconded the motion. The motion carried by majority.** The meeting adjourned at 4:43 p.m.

**Tuesday, July 10, 2007  
8:00 a.m.**

Vice-Chair McKnight called the meeting to order at 8:04 am., and reiterated an expectation to conclude the day with about 10-15 solid recommendations for the Secretary. He requested a 1 – 1 ½ hour time limit for discussion of each category.

## **COMMITTEE DISCUSSION CONTINUED**

### NRCS (CONSERVATION)

There was a general discussion on last year's recommendation to offer financial incentives (whole farm planning) to beginning farmers and ranchers. Ms. Bruckner noted that the Secretary has the authority under the 2002 Farm Bill to do this.

**Ms. Bruckner made the motion to accept the whole farm planning initiative incentive to offer financial incentives or bonuses through conservation programs to beginning farmers and ranchers to develop integrated farm/ranch conservation plans (same as written in paragraph 16(b) of the 2006 committee recommendations to the Secretary). Ms. Twohig seconded the motion and it carried unanimously.**

Members then discussed at length last year's recommendation concerning upfront or accelerated payments for beginning farmers and ranchers. Ms. Bruckner again noted the Secretary has the authority to do this, but, must work with other agencies. There was a discussion on how to word a new recommendation with the 2007 Farm Bill looming. Mr. Barta mentioned his concern with up-front payments, (that if you pay up-front, the funds might be misused). Mr. Cates asked if there is a precedent for up-front payments. Mr. Molleur (NRCS) said the norm since 1936 has been the work is to be done first, verified, and then payment is made. He mentioned this is a statutory requirement. There were differing opinions as to whether or not upfront payments should be allowed.

Mr. Harlow stated he would support changing or dropping the language if FSA makes up-front loans so farmers can have access to funds. Mr. Falcone discussed the cooperative agreement the FSA Administrator signed with the NRCS Chief in December

2006 which was sent to all State offices reminding them that FSA can provide loans to farmers and ranchers for conservation purposes, including those who face the inability to acquire the initial capital investment of their cost-share portion needed under NRCS's Environmental Quality Incentives Program (EQIP). Mr. Falcone said some states have been doing a good job at providing this assistance, while some didn't know that it could be done and they will now provide such assistance to eligible applicants.

Ms. Bruckner suggested the Committee support the proposed Beginning Farmer and Rancher Opportunity Act, which includes numerous beginning farmer and rancher provisions in the House mark-up. There was discussion as to whether the Committee should support some of, but not all of the provisions. Ms. Bruckner: stated that some provisions were previous Committee recommendations. After further discussion a motion was made.

**Ms. Bruckner made the motion to rewrite paragraph 16(a) of the 2006 committee recommendations to the Secretary and state that there are principles that we would like the Secretary to implement for beginning farmers and ranchers. Ms. Hill seconded the motion.** Ms. Hipp asked if the Committee could come back to this issue after lunch. **Ms. Bruckner made the motion to table the above motion until after lunch. Ms. Beethe seconded the motion and it carried unanimously.**

Mr. Ward asked members to address the beginning farmer definition, which was also a recommendation from last year. Once again the discussion centered on a "needs" test in the definition. Mr. Falcone explained that the 2002 Farm Bill authorizes the Secretary to provide higher cost-share payments to beginning farmers and ranchers under NRCS's EQIP program (up to 90 percent). Mr. Falcone has been informed of cases where millionaires (farming less than 10 years) were receiving higher cost-share payments as they met NRCS's beginning farmer definition. For that reason, Arkansas NRCS officials stopped offering higher cost-share rates to beginning farmers and ranchers, as the definition has no "needs test". The 2002 Farm Bill said the definition would be based on the statutory definition FSA uses for its loan programs, which has a needs test.

Mr. Falcone explained that when Department officials met in 2002 to establish the definition for NRCS and other agencies based on components of the FSA statutory definition, they appropriately did not include components relating to loan eligibility, but also did not include the following requirement: the farmer or rancher "demonstrates that the available resources of the applicant and spouse (if any) are not sufficient to enable the applicant to enter or continue farming or ranching on a viable scale". Including this in the definition would prevent wealthy individuals from meeting the definition and receiving higher cost-share payments.

There was a brief discussion to clarify that changing the definition to include the above reference could be done by USDA and would not require a statutory change.

**Ms. Beethe made the motion to recommend the Secretary revise the USDA definition of beginning farmer and rancher to include other applicable components**

**of the statutory definition used by FSA, with appropriate adaptations for use in other USDA programs. Specifically, a “needs” element should be included in the definition, so those who have adequate off-farm or ranch financial resources are not receiving subsidized assistance. Ms. Bowlan seconded the motion and it carried unanimously.**

Mr. Harlow asked if this beginning farmer definition would only apply to the 15 percent higher cost-share differential. Mr. Falcone said the definition would affect all USDA agencies. Mr. Molleur (NRCS) mentioned EQIP has its own needs test. Mr. Harris (NRCS) clarified that the needs test is \$2.5 million in adjusted gross income under the EQIP program.

1. Mr. McKnight suggested members discuss NRCS’s Conservation Security Program. After a brief discussion, a motion was made. **Ms. Bruckner made the motion to recommend the Secretary to continue to support a fully funded CSP. Mr. Cates seconded the motion.**
2. There was a brief discussion on last year’s more extensive recommendation, and members agreed to amend the above motion to include more language

**Ms. Bruckner made the motion to thank the Secretary for USDA’s 2007 Farm Bill proposal regarding the Conservation Security Program and request continued support for NRCS to abide by the 90 percent cost-share, 15 percent cost-share differential provision for beginning farmers and ranchers in all states and regions of the country, and encourage states to provide special enhanced payments for beginning farmers and ranchers. Mr. Cates seconded the motion and it carried unanimously.**

Members then moved on to conservation issues addressed in Recommendation 16 from last year. **Ms. Hipp made the motion to recommend the Secretary implement special incentives for beginning and limited resource farmers and ranchers to encourage participation in conservation, to help get new farmers started, and to achieve long lasting conservation improvements. The committee encourages the Secretary to implement under existing and any new authorities that might become available the following types of provisions:**

- a. **Upfront or Accelerated Payments – Provide option for immediate upfront/advanced payments to beginning farmers and ranchers through multi-year contracts entered into for federal conservation programs, e.g., in a multi-year contract for a certain amount of money in annual payments, an incentive provision could provide that all payments are paid upfront, either in a lump sum or on an accelerated basis, with all other provisions of the contract remaining. This would provide capital to establish the farming operation with a larger stream of income during the crucial formative years of the beginning farmer or rancher operation while also making enrollment in conservations programs more attractive.**

- b. **Whole Farm Planning Incentive – Offer financial incentive or bonus through conservation programs for beginning farmers and ranchers to develop integrated farm/ranch conservation plans.**
- c. **Graduated Cost Share – Graduate the cost share portion attributable to the beginning farmer or rancher over a period of years, e.g., beginning farmers and ranchers could be provided priority for cost-share and technical assistance. Such an initiative would allow for installation or replacement of necessary conservation projects while recognizing the economic situation of many beginning farmers and ranchers.**
- d. **CRP Land Returning to Production – Encourage retirees or non-farming heirs holding expiring Conservation Reserve Program contracts to make arrangements to transfer the land to beginning farmers and ranchers by offering a rental rate bonus in the transition period.**
- e. **Grazing Land Improvement Incentives – Provide financial incentives, payment bonuses and technical assistance to beginning farmers and ranchers to develop/improve grazing land.**
- f. **Farmland Preservation – Encourage farmland preservation initiatives that preserves a viable land base for beginning farmers and ranchers with strong conservation practices.**

**The Committee applauds efforts within the Department to coordinate NRCS & FSA programs in ways that assist beginning farmers and ranchers in meeting their business needs while encouraging participation in conservation programs and encourages the Secretary to continue those efforts.**

**Mr. Mobley seconded the motion.**

Mr. Hays suggested that members recommend that the Secretary “maximize opportunities” in conservation programs for beginning farmers and ranchers instead of giving the above examples. A brief discussion ensued on the above on this, including the comment that the Whole Farm Planning incentive issue was part of a previous motion approved. **The discussion did not change the outcome of the above motion. The motion carried with two opposing.**

## OUTREACH

The group that met on outreach issues came up with six issues. Mr. McKnight opened up a discussion on the first one-Farm Transition Programs. Ms. Bruckner mentioned the Beginning Farmer and Rancher Development Program provides support for transition programs and that the Secretary should strongly support it (this program was authorized by the 2002 Farm Bill but was never funded). Ms. Hipp mentioned she was involved in farm succession training carried out by the Risk Management Education Center. It was held in Phoenix and included transition programs and proper estate planning. Ms.



Bowlan said Pennsylvania Farm Link did workshops on business planning and suggested that USDA or state representatives do some kind of work like that. Mr. McKnight shared his family experience as a young rancher and the transition issues in his family.

1. Several issues were raised and Mr. McKnight highlighted them: provide awareness through outreach sessions, and financial incentives through NRCS and FSA payments. The group held a discussion that included possible publications to raise awareness on succession planning. Mr. McKnight added that death and other emotional issues are negative and discourage discussion on family transition and that all that the Committee can do is request USDA to encourage education and discussion.

**Ms. Hipp made the motion to encourage the Secretary to:**

- a. **Champion an initiative on Farm Succession Planning and conduct outreach sessions (support increased training and outreach to the farming and ranching community on estate planning and succession) and issue publications. Farm Succession organizations could participate in the outreach sessions.**
- b. **Consider utilizing authorities of NRCS and FSA programs to encourage Farm Succession Planning.**

**Mr. Ellenberger seconded the motion and it carried unanimously.**

The second issue under outreach was the Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers (Section 2501) Program. Mr. Mobley requested that the Committee ask for some impact on results of the 2501 program on beginning farmers and ranchers. There was also a discussion on funding, and Mr. Falcone informed members that there has been around \$6 million dollars available in the last several FYs.

**Ms. Hill made the motion to urge the Secretary to support reauthorization and full funding for the Section 2501 Program. The 2002 Farm Bill authorized funding of \$25 million each fiscal year. Further, a request is made for USDA to conduct research on the impact of the 2501 program on beginning farmers and ranchers. Ms. Koester seconded the motion and it carried by majority. Ms. Hipp abstained, since she is employed by CSREES, the USDA agency that oversees the grant program.**

Mr. McKnight asked members to discuss the third issue on outreach: promote replication of state beginning farmer and rancher programs. **Mr. Hays made the motion to urge the Secretary to champion efforts to promote replication of state beginning farmer programs, promote beginning farmer and rancher local food production (the fourth issue under outreach), ensure conservation planning with business planning (the fifth issue), and more coordination between USDA outreach groups (the sixth issue). There was no second and a general discussion ensued.**

A general discussion on a replication of successful programs followed. Mr. Ward mentioned he was Chair of the National Council of State Agricultural Finance Programs. There are approximately 20 States that have active beginning farmer programs. Ms. Bruckner and Ms. Twohig said to include not only State beginning farmer and rancher programs, but Non-Government Organizations that have successful programs.

Ms. Bowlan referenced promoting local food production (in the above recommendation) and said USDA could initiate a public relations campaign focused on beginning farmers and ranchers regarding local food production. Mr. Harlow stated that could impact recipients of vouchers like WIC (Woman, Infants and Children) and the Food Stamp programs, who could be out there using those coupons immediately. Ms. Moriera added these programs are working, as some people receiving WIC program assistance are going to the Farmer's Market, and Farmer's Markets are providing local food to poor communities. She said the problem is more outreach is needed so that more WIC recipients have access to Farmer's Markets.

Mr. McKnight asked members to comment on the fifth issue (ensure conservation planning is integrated in the business plan). Ms. Hipp mentioned that if you implement certain conservation measures, you could cripple your operation if costs are not included as part of a business plan.

Mr. McKnight asked members to discuss issue number six (more coordination between USDA outreach groups). Ms. Peabody stated that more technical training is needed to those seeking grant assistance from USDA, as now solicitations concerning "Requests for Applications" for competitive grant programs have to be completed and submitted through an automated program. This gives an advantage to some applicants. Ms. Moriera said there is too much duplication within the programs, and that USDA employees need to coordinate their efforts.

The members decided that this should be a separate recommendation, as it did not fit in with the other outreach issues addressed in the recommendation on the floor.

**Mr. McKnight asked for an amendment to the motion to strike #6 as a separate item and have the three other issues remain. Ms. Koester made the motion and Ms. Peabody seconded it. The motion carried unanimously.**

**Mr. Cates made the motion to recommend the Secretary support the following: (a) reauthorization of the Beginning Farmer and Rancher Development Program, a competitive grant program authorized by Research and Related Matters title of the 2002 Farm Bill, (b) an amendment to specifically include new refugee/immigrant farming concerns, and (c) \$25 million per year in Farm Bill funding for this program. Mr. Ellenberger seconded the motion and it carried unanimously.**

Mr. McKnight entertained a motion to resubmit #6 from above.

**Ms. Hipp made the motion to encourage the Secretary to explore ways in which the various USDA Outreach Programs (FSA, NRCS, CSREES, the Risk Management Agency and others) can ensure coordination among sub grantees who deliver outreach/training to beginning farmers and ranchers in ways that promotes effective and efficient program and delivery. Ms. Moriera seconded the motion and it carried unanimously.**

Mr. McKnight asked if there were any more outreach issues. Mr. Ellenberger mentioned his State Secretary of Agriculture (Wisconsin) is promoting beginning farmer and rancher initiatives and suggested a recommendation be made for the Secretary to work with State Secretaries of Agriculture. Mr. Ward said the National Association of State Departments of Agriculture meet annually.

**Mr. Ellenberger made the motion to recommend the Secretary open a dialogue with State Commissioners of Agriculture and regional groups on beginning farmer and rancher and transition issues. Ms. Twohig seconded the motion and it carried unanimously.**

## FINANCE

Mr. Lang brought up tax incentives and suggested reconsidering last year's recommendation on the capital gains exception for first-time farmers. Mr. Ward wanted to make sure that any change would not conflict with existing tax-exempt programs.

**Ms. Beethe made the motion to encourage the Secretary to support initiatives to amend the Internal Revenue Code of 1986 to provide an exemption from capital gains for the sale of farmland to a first-time farmer as proposed in H.R. 2034, "The Beginning Farmers & Ranchers Act of 2005". Any change in law should not conflict with existing tax-exempt programs created to assist beginning farmers and ranchers. Mr. Ward seconded the motion and it carried unanimously.**

The next issue centered around 1031 tax exchanges. Ms. Bowlan reminded members that this was one of the Secretary's Farm Bill Proposals (to eliminate commodity program payments for all newly purchased land benefiting from a 1031 tax exchange). After a brief discussion, members generally agreed that this was an issue they would rather not make a recommendation on.

Mr. McKnight asked about incubator lending. There was a brief discussion and Mr. Hays provided an example of an incubator loan. Some members referred to Mr. Beyerhelm's discussion the day before concerning secondary operators involved in family partnerships and corporations, and they were glad to hear him express FSA's interest to look at options to help such individuals buy into family entities.

**Mr. Ellenberger made the motion to recommend that FSA loan programs have more flexibility to allow beginning farmer and rancher participants to buy into**

**established operations, including purchasing a percentage of an operating entity such as a Limited Liability Corporation (LLC), Partnership, Limited Liability Partnership (LLP), etc.. Mr. Barta seconded the motion and it carried unanimously (Mr. Ellenberger agreed to provide an example before the recommendations were forwarded to the Secretary.)**

Mr. McKnight brought up the next issue that the “Finance” group discussed, which was Individual Development Accounts (the government would match what the individual saves). His concern was it was just a wealth distribution plan. California Farm Link presently has such a program to assist beginning farmers. Others saw it as a way to assist beginning farmers in lieu of providing subsidies.

**Ms. Beethe made the motion that the 2007 Farm Bill should establish a Beginning Farmer and Rancher Individual Development Accounts (IDA) Pilot Program using a matched savings to assist those of modest means to establish a pattern of savings and promote a new generation of Farmers and Ranchers. Ms. Peabody seconded the motion and it carried by majority.**

Mr. McKnight then moved on to FSA term limits (an existing law that limits the number of years someone can obtain FSA direct and guaranteed loan assistance). There were varying opinions on this issue. Some thought that FSA’s graduation review policy (also required by law) addresses the issue of moving those away from FSA credit who don’t need the assistance, while others thought after 10 or 15 years of getting subsidized credit, farmers and ranchers should no longer be eligible. **After a brief discussion, Mr. Barta made the motion that term limits be eliminated on both FSA’s direct and guaranteed loan programs. Mr. Harlow seconded the motion and it carried unanimously.**

The next issue concerned deferring the first year’s payment on FSA direct farm ownership loans (one of the Secretary’s Farm Bill proposals is to defer the first year’s payment on FSA’s direct FO downpayment loan program). **Ms. Bruckner made the motion to encourage the Secretary to support deferring the first year’s payment for all direct FO loans for beginning farmers and ranchers. There was no second and the motion failed.**

Mr. McKnight then brought up the Secretary’s Farm Bill Proposal to increase program payments by 20 percent for the first five years to beginning farmers and ranchers. **Mr. Barta made the motion to support the Secretary’s recommendation to provide a 20 percent increase in direct payments to beginning farmers and ranchers. Mr. Mobley seconded the motion and it carried unanimously.**

#### QUALITY OF LIFE

There were three issues addressed: support rural health care initiatives (that was discussed the previous day by Deputy Secretary Conner and Ellen Huntoon of Senator Harkin’s office); improve USDA’s Rural Development (RD) rural internet broadband access; and FSA County Committee members to qualify for health insurance. There was

a brief discussion on all three issues. **Ms. Koester made a motion that to improve the quality of life for beginning farmers and ranchers, we support rural health care initiatives such as access to health care and health insurance protection. Mr. Ellenberger seconded the motion and it carried unanimously.**

Ms. Hill commented that RD announces funding for this every year and that there is already much in place. Mr. McKnight asked to move on to the next issue if no one had any other comment. There was a brief discussion on health insurance coverage for FSA County Committee members.

**Ms. Koester made the following motion: Realizing that health care costs are an economic barrier to beginning farmers and ranchers, and compete with required capital to establish their business, we propose that FSA County Committees qualify for health insurance. This would encourage beginning farmers and ranchers to participate in County Committees which would not only improve and diversify local committees, but would assist beginning farmers and ranchers with affordable health coverage as well. Ms. Twohig seconded the motion but it failed by a vote of 5 yes to 10 no.**

Mr. McKnight asked if there were any other issues. Mr. Hays addressed last year's fourth recommendation concerning collection of agricultural census data, and USDA's response to it. **Mr. Hays made the motion to encourage the Secretary to ensure that the National Agricultural Statistics Service (NASS) collects Ag Census data on beginning farmers and ranchers for "the year farming began" and "number of years on the present farm" before 2012, so that it is available for the 2012 Ag Census. Mr. Ellenberger seconded the motion and it carried unanimously.**

Mr. Barta had some questions concerning elections for FSA county committees. There was also a discussion on State Committees. **Mr. Barta then made the motion to recommend that the Secretary encourage FSA County Executive Directors to exhaust resources to provide beginning farmers and ranchers an opportunity to be considered as a Committee member and that the State Committee include at least one member who meets the definition of a beginning farmer or rancher. Ms. Koester seconded the motion and it carried by majority.**

Mr. McKnight asked if there was any other discussion. Since there was no response, he asked for a motion to adjourn.

**Mr. Hays made the motion to adjourn. Mr. Lang seconded the motion and it carried unanimously.**

The meeting adjourned at 3:06 p.m.