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Report to the Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

September 2007

BEGINNING FARMERS

Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance

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Highlights

Highlights of GAO-07-1130, a report to the Chairman of the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

BEGINNING FARMERS
Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance

Why GAO Did This Study

U.S. Department of Agriculture (USDA) programs have long supported beginning farmers. USDA generally defines a beginning farmer or rancher as one who has operated a farm or ranch for 10 years or less—without regard for age—and who materially and substantially participates in its operation. USDA's Farm Service Agency (FSA) makes and guarantees loans for farmers who cannot obtain commercial credit, including beginning farmers. FSA also reserves funds for beginning farmers within its loan programs. USDA's Natural Resources Conservation Service (NRCS) provides higher conservation payments for beginning farmers through two of its conservation programs. GAO reviewed the key steps USDA has taken to help beginning farmers and assessed the department's actions to measure the effectiveness of these steps.

What GAO Recommends

GAO recommends that USDA adopt a crosscutting, departmental strategic beginning farmer goal that identifies the desired outcomes for its beginning farmer assistance and links to related agency performance goals. We also recommend that USDA track progress toward implementing these goals. In commenting on a draft of this report, USDA said it generally agreed with our report and recommendations.

To view the full product, including the scope and methodology, click on GAO-07-1130. For more information, contact Lisa Shames, 202-512-3841, shamesl@gao.gov.

What GAO Found

USDA's lending and conservation assistance to beginning farmers has been substantial and is growing. USDA supports beginning farmers primarily through its lending assistance. From fiscal years 2000 through 2006, FSA's lending to beginning farmers rose from $716 million to $1.1 billion annually—totaling more than $6 billion. In addition, from fiscal years 2004 through 2006, the most recent years for which data are available, NRCS's annual financial assistance for beginning farmers through two key conservation programs nearly doubled from over $47 million to nearly $92 million, for a total of $233 million.

However, USDA cannot demonstrate the effectiveness of its support for beginning farmers, because it has not developed a crosscutting, departmental strategic goal for its beginning farmer efforts and has only recently begun to analyze the characteristics of this group. Specifically:

- USDA has not developed a crosscutting, departmental strategic beginning farmer goal that demonstrates the outcomes it expects its beginning farmer efforts to achieve. Such a goal might address, for example, promoting demographic change, such as by decreasing the average age of farmers or changes to the structure of agriculture, such as by increasing the number of small and middle-sized farms. USDA has incorporated beginning farmers into its existing policy for maintaining the viability of small farms. Although this provides added recognition of the need to assist beginning farmers, USDA's policy does not establish a crosscutting, departmental strategic goal that provides a management and accountability focus for the department's several efforts. Furthermore, USDA tracks the numbers of farmers it assists and the dollars they receive, rather than its progress toward achieving a particular beginning farmer outcome. Having a crosscutting, departmental strategic goal could provide better insight into the desired outcomes and impact of USDA's beginning farmer efforts.

- USDA is just beginning to develop data about the characteristics of beginning farmers to supplement its existing analyses about the age of farmers and changes in the number of farms. For example, one recent analysis shows that beginning farmers are younger than established farmers, operate smaller farms, and are slightly more ethnically diverse and female than other farmers. Another indicates that roughly one-third of beginning farms in 2005 had no agricultural output and were likely operated by individuals interested in a rural residential lifestyle. Continued analysis of such characteristics and trends could provide better insight into who beginning farmers are, which ones USDA assists, and how beginning farmer operations change over time.

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Abbreviations

AMS	Agricultural Marketing Service
CSP	Conservation Security Program
CSREES	Cooperative State Research, Education, and Extension Service
EQIP	Environmental Quality Incentives Program
ERS	Economic Research Service
FSA	Farm Service Agency
NASS	National Agricultural Statistics Service
NRCS	Natural Resources Conservation Service
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool
RMA	Risk Management Agency
USDA	United States Department of Agriculture

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United States Government Accountability Office
Washington, DC 20548

September 18, 2007

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition, and Forestry
United States Senate

Dear Mr. Chairman:

Since the 1990s, the U.S. Department of Agriculture's (USDA) assistance to beginning farmers and ranchers has responded to concerns that the average age of farmers and ranchers is increasing. USDA estimated that in 2004 about 27 percent of principal farm operators were 65 years of age or older, while only about 4 percent were under 35. Collectively, landowners over age 65 owned over one-third of farmland—land that will ultimately either be passed on to heirs or sold. USDA generally defines a beginning farmer or rancher as one who has operated a farm or ranch for 10 years or less, regardless of age, and will materially and substantially participate in its operation.[1] USDA economists have estimated that beginning farmers operate about 485,000 farms, or about 25 percent of the nation's nearly 2 million family farms. Beginning farmers start a wide range of operations, such as livestock, organic crops, or traditional commodities. Also, their population is diverse: traditional family farmers, former farm managers, individuals in career transition, retirees, "hobby" farmers, immigrants, and the socially disadvantaged.[2] Many beginning farmers face multiple challenges, including obtaining capital to purchase farmland and fund their operating costs. Because beginning farmers tend to operate smaller farms and have more limited resources than more experienced farmers, they may find it difficult to obtain conventional credit. In addition, the rising cost of farmland, driven in part by farm subsidies and increasing competition for farmland from urban development and for producing

[1]For simplicity, we refer to beginning farmers and ranchers as "beginning farmers" in this report.

[2]USDA's Farm Service Agency defines socially disadvantaged farmers or ranchers as members of groups whose members have been subjected to racial, ethnic, or gender prejudice because of their identities as members of a group without regard to their individual qualities. The Farm Service Agency defines these groups to include women, African-Americans, American Indians, Alaskan Natives, Hispanics, Asian-Americans, and Pacific Islanders.

energy crops, may also make it difficult for beginning farmers to obtain land. Moreover, beginning farmers may not be as knowledgeable as more experienced farmers about effective farming practices, financial and risk management practices, marketing opportunities, and available assistance programs.

USDA supports beginning farmers primarily through its lending assistance. USDA's Farm Service Agency (FSA) is a lender of last resort—FSA provides loans to farmers who have cash flow or collateral shortcomings that keep them from qualifying for commercial loans. Since the mid-1990s, USDA has reserved portions of its loan funds for beginning farmers, as required by the Agricultural Credit Improvement Act of 1992.[3] In addition, USDA's Natural Resources Conservation Service (NRCS) provides financial and technical assistance to beginning farmers for conservation practices. The 2002 Farm Security and Rural Investment Act authorized the Secretary of Agriculture to provide beginning farmers with up to 90 percent of the cost of implementing conservation practices under two key NRCS programs—the Environmental Quality Incentives Program (EQIP) and the Conservation Security Program (CSP), while more established farmers are limited to receiving up to 75 percent of their costs. Beginning farmers are also eligible for other USDA programs, such as the Crop Insurance Program, and may benefit from grant programs that provide assistance for production, marketing, and financial risk management.

In addition to USDA's assistance, beginning farmers also obtain loans through the Farm Credit System, commercial banks, life insurance companies, and individuals. The Farm Credit System is a government-sponsored enterprise with a nationwide network of lenders that Congress created to provide a dependable source of credit and related services to the agricultural community. Since the 1980s, the Farm Credit System has had a special congressional mission to serve young, beginning, and small farmers.[4] As of December 2006, the Farm Credit System had in its portfolio over 189,000 loans to beginning farmers valued at $25.4 billion.

[3]Pub. L. No. 102-554, 106 Stat. 4142.

[4]GAO, *Farm Credit Administration: Oversight of Special Mission to Serve Young, Beginning, and Small Farmers Needs to Be Improved*, GAO-02-304, (Washington, D.C.: Mar. 8, 2002). Among other things, GAO found that just over half of the Farm Credit System's lending institutions had features designed to target services to young, beginning, and small farmers. The Administration agreed to make improvements in response to GAO's recommendations.

For the 2007 Farm Bill, USDA and others have proposed that Congress take additional steps to build up USDA's programs to help beginning farmers. For example, USDA proposed raising direct loan limits for farm ownership and operating loans to a combined limit of $500,000, up from $200,000 for each type of loan. USDA also proposed setting aside 10 percent of conservation funds for beginning and socially disadvantaged farmers. Additionally, stakeholder groups have suggested, among other things, providing tax incentives for selling land to beginning farmers and ranchers and making research on beginning farmers and farm transfer a priority.

GAO has issued multiple reports that address USDA support to beginning farmers. For example, in 1982, GAO reported that little data were available to demonstrate the effect of existing farm programs on beginning farmers.[5] More broadly, in 2006, we concluded that better oversight of farm program funds is necessary to ensure they are spent as economically, efficiently, and effectively as possible.[6] Because USDA provides billions in beginning farmer assistance, it is important that the department be able to demonstrate the effectiveness of these programs.

You asked us to (1) identify the key steps USDA has taken to help beginning farmers and (2) assess USDA's actions to measure the effectiveness of these steps.

To determine the key steps USDA has taken to help beginning farmers, we reviewed USDA and agency documents on loan and conservation programs and spoke with officials who administer these and other relevant programs. In addition, we interviewed agricultural stakeholders from universities, organizations that work with beginning and small farmers, farm advocacy groups, and some states with targeted beginning farmer loan programs. To identify USDA's actions to assess the effectiveness of its programs in addressing beginning farmer challenges, we reviewed USDA reports, strategic plans, and program performance data. A more detailed description of our scope and methodology is presented in appendix I. We performed our work between September 2006

[5]GAO, *Assistance to Beginning Farmers*, (Washington, D.C.: May 14, 1982), and GAO, *Farm Finance: Number of New Farmers Is Declining*, GAO/RCED-93-95 (Washington, D.C.: May 3, 1993).

[6]GAO, *Suggested Areas for Oversight for the 110th Congress*, GAO-07-235R (Washington, D.C.: Nov. 17, 2006).

and August 2007 in accordance with generally accepted government auditing standards.

Results in Brief

USDA lending and conservation assistance to beginning farmers has been substantial and is growing. From fiscal year 2000 through fiscal year 2006, FSA's lending to beginning farmers rose from $716 million to $1.1 billion annually—for a total of more than $6 billion in loans. The $1.1 billion that FSA loaned to beginning farmers in fiscal year 2006 was 35 percent of the total amount USDA loaned all farmers. Assistance provided by NRCS through two key conservation programs—EQIP and CSP—has also increased. From fiscal year 2004 through 2006, the most recent years for which data are available, the amount of financial assistance for beginning farmers nearly doubled from over $47 million to nearly $92 million, for a total of $233 million. The $92 million for beginning farmers in fiscal year 2006 was 11 percent of the assistance for all farmers through these programs.

However, despite these multiple forms of assistance provided to beginning farmers, USDA has not demonstrated the effectiveness of its efforts to assist this group. First, USDA has not developed a crosscutting, departmental strategic goal to track the effectiveness of its multiple beginning farmer efforts. Second, USDA has only recently begun to develop baseline information about the characteristics of beginning farmers and their farming operations that should help it evaluate and better target its beginning farmer efforts. More specifically:

> *Crosscutting, departmental strategic performance goal.* USDA has not developed a crosscutting, departmental strategic beginning farmer goal that demonstrates the outcomes it expects its several beginning farmer efforts to achieve. Such a goal might relate to, for example, promoting demographic change, such as by decreasing the average age of farmers or changes to the structure of agriculture, such as by increasing the number of small and middle-sized farms. In 2006, USDA took a step to better recognize the importance of assisting beginning farmers by including beginning farmers in its existing departmental policy designed to maintain the viability of small farms. However, this revised policy does not provide a management and accountability focus for USDA's efforts. Moreover, agency beginning farmer goals currently in place track the numbers of farmers assisted and dollars provided to them, rather than measuring outcomes. For example, FSA reported having 42,495 beginning and socially disadvantaged borrowers in

its portfolio in fiscal year 2006—15.5 percent of its estimate of the 273,349 beginning and socially disadvantaged farmers who had at least $10,000 in sales. In effect, FSA measures its volume in providing loans to these groups, rather than measuring progress toward achieving a particular beginning farmer outcome, such as improving the financial well-being of beginning farmers or ensuring they continue to farm after leaving the loan program. More outcome-based information could provide additional insight into program effectiveness and allow FSA to evaluate the extent to which its loan programs contribute to a crosscutting, departmental strategic goal.

Baseline information about beginning farmer characteristics. USDA has recently begun to develop baseline information about the characteristics of beginning farmers to supplement its existing analyses about the age of farmers and changes in the number of farms. For example, one recent analysis shows that beginning farmers are younger than established farmers, operate smaller farms, and are slightly more ethnically diverse and female than other farmers. Another indicates that roughly one-third of beginning farms in 2005 had no agricultural output and were likely operated by individuals interested in a rural residential lifestyle. Continued analysis of such characteristics and trends could provide better insight into who beginning farmers are, which ones USDA assists, and how beginning farmer operations in agriculture change over time.

To provide Congress and the public with a more comprehensive understanding of the effectiveness of USDA's beginning farmer efforts and to establish a basis for monitoring its programs, we are recommending that the Secretary of Agriculture adopt a crosscutting, departmental strategic beginning farmer goal and related agency goals, as well as track progress toward accomplishing them. USDA commented on a draft of this report and stated it generally agreed with our report and recommendations. Specifically, USDA commented that it would be able to develop more focused performance measures once the 2007 Farm Bill is complete.

Background

The Food, Agriculture, Conservation, and Trade Act of 1990 (the 1990 Farm Bill) required, among other things, that the Secretary give priority to beginning farmers in purchasing inventory farmland—properties that have come into government ownership through voluntary conveyance or foreclosure.[7] It also expressed the sense of Congress that USDA maintain statistics on, among other things, the number of loans made, insured, or guaranteed, and inventory farmland sold or leased to beginning farmers, and that USDA establish innovative programs of finance and assistance for land transfer between generations and the establishment of new farms. Currently, FSA's limits on direct loans for farm ownership and operations are each set at $200,000, while the guaranteed farm ownership and operating loan amounts are each set at $899,000. FSA allocates money to the states for its loan programs on the basis of the number of farmers in each state, the value of farm assets, and net farm income. For this allocation, the loan volumes of previous years may be considered as well.

The Agricultural Credit Improvement Act of 1992 required the Secretary of Agriculture to reserve a portion of its direct and guaranteed farm ownership and operating loan funds for beginning farmers and ranchers.[8] It also authorized the establishment of the Down Payment Farm Ownership Loan Program, administered by FSA. This program allows a beginning farmer to purchase a farm or ranch of up to $250,000 in value. To participate in this loan program, an applicant must make a cash down payment of at least 10 percent of the purchase price. FSA may provide up to 40 percent of the purchase or appraisal price over 15 or fewer years at a fixed interest rate of 4 percent. The balance may be obtained from another lender, with FSA providing up to a 95 percent guarantee. In addition, in accordance with the act, FSA has entered into memorandums of understanding with 21 states to provide joint financing to beginning farmers.

The 1992 act also directed that the Secretary establish an Advisory Committee on Beginning Farmers and Ranchers to advise the Secretary on methods of creating new farming and ranching opportunities, among other things. The advisory committee includes representatives from the farming, ranching, and banking industries; extension education; nonprofit agencies; and federal and state staff who work directly with beginning farmers. Since it was established in 1998, the committee has met eight times, submitting recommendations to the Secretary to improve and increase

[7]Pub. L. No. 101-624, 104 Stat. 3359.

[8]FSA reserves 35 percent of direct operating loans and 70 percent of direct farm ownership loans for beginning farmers until September 1 of each fiscal year. It reserves 40 percent of guaranteed operating loans and 25 percent of guaranteed farm ownership loans for beginning farmers until April 1 of each fiscal year.

opportunities for beginning farmers in starting and maintaining viable farming operations. Recently, these proposals have ranged from recommendations to develop a pilot program for providing matched savings accounts for beginning farmers to encouraging those with expiring Conservation Reserve Program easements to transfer their land to beginning farmers.[9] Previously implemented recommendations have led to the 2006 addition of beginning farmers to USDA's small farms policy, which led to the establishment of the Small Farms and Beginning Farmers and Ranchers Council.

The Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill) authorized higher payments in two key conservation programs geared toward working lands—EQIP and CSP.[10] EQIP provides farmers with financial and technical assistance to address soil, air, water, and related natural resource concerns on eligible land, while CSP supports ongoing stewardship of farmland by providing payments to producers for maintaining and enhancing conservation efforts that benefit natural resources. For both programs, the 2002 Farm Bill authorized the Secretary to provide a higher cost-share for beginning farmers—up to 90 percent of the cost of implementing a conservation practice—compared to 75 percent for other producers. For EQIP, the act also authorized higher cost-share payments for limited resource producers. In 2006, on average, NRCS provided a cost-share rate of almost 80 percent for beginning farmers through EQIP, compared with an average of 59 percent for non-limited-resource, established farmers. For CSP, the 2006 sign-up reduced the cost-share rate for new practice payments to not more than 65 percent for limited resource and beginning farmers and to not more than 50 percent for other producers.[11]

Furthermore, the 2002 Farm Bill authorized the Secretary to create a pilot program to provide guarantees of loans made by private sellers of a farm or ranch to beginning farmers on a contract sale basis. It also authorized the Secretary to reserve at least 15 percent of funds in its interest rate

[9]The Conservation Reserve Program is a voluntary program through which agricultural landowners retire farmland for conservation purposes. Through this program, a landowner can receive annual rental payments and cost-share assistance to establish long-term, resource-conserving covers on eligible farmland.

[10]Pub. L. No. 107-171, 116 Stat. 134.

[11]For CSP, cost-share is only provided on new practice payments, a small component of total CSP financial assistance.

reduction program—a program to subsidize the interest rate on a guaranteed operating loan—for beginning farmers. Finally, the 2002 Farm Bill also authorized a Beginning Farmer and Rancher Development Program to provide training, education, outreach, and technical assistance initiatives, but no funding has been allocated to this program.

USDA's Lending and Conservation Assistance for Beginning Farmers Has Increased

USDA's lending and conservation assistance to beginning farmers has been substantial and is growing. From fiscal year 2000 through 2006, FSA increased its lending to beginning farmers from $716 million to $1.1 billion annually, for a total of more than $6 billion during the period. Also, from fiscal years 2004 through 2006 (the most recent years for which data are available), NRCS's assistance to beginning farmers through two key conservation programs nearly doubled, from over $47 million to about $92 million.

Lending to Beginning Farmers Exceeds $1 Billion per Year

From fiscal years 2000 through 2006, FSA increased the value of its loans to beginning farmers from $716 million to $1.1 billion annually, for a total of more than $6 billion over the period. In addition, beginning farmers received an increasing share of FSA's loan dollars, from a 20 percent share in fiscal year 2000 to 35 percent by fiscal year 2006—or 27 percent of the amount FSA loaned all farmers over this period. At the end of fiscal year 2006, FSA had 25,064 beginning farmer borrowers in its loan portfolio. Of these borrowers, 16,828 had obtained 28,022 direct loans as of October 4, 2006, and 8,236 had obtained 11,735 guaranteed loans as of September 30, 2006. FSA also provided interest assistance on 2,409 of the guaranteed operating loans it made to beginning farmers between fiscal year 2000 and 2006. Through these loans, it obligated approximately $358 million—12 percent of guaranteed operating loan dollars with interest assistance obligated to all farmers. Table 1 provides more detailed information about FSA's direct and guaranteed loans to beginning farmers. Appendix II provides information on fiscal year 2006 loans to beginning farmers by state.

Table 1: FSA's Direct and Guaranteed Loans to Beginning Farmers and All Borrowers, Fiscal Year 2000 through April 30, 2007

Dollars in millions

Year	Number of beginning farmer loans	Beginning farmer loan dollars obligated	Total number of loans	Total loan dollars obligated	Percentage of total loan dollars to beginning farmers
2000	8,109	$716.2	31,040	$3,571.3	20
2001	8,003	706.6	28,243	3,168.5	22
2002	8,691	839.5	29,511	3,496.8	24
2003	8,633	851.2	29,196	3,520.9	24
2004	8,572	867.5	26,060	3,073.6	28
2005	9,592	1,030.3	25,968	3,022.9	34
2006	10,677	1,082.8	26,999	3,073.6	35
2007[a]	6,995	709.0	17,295	2,035.5	35
Total	**69,272**	**$6,803.1**	**214,312**	**$24,963.0**	

Source: GAO analysis of FSA data.

Note: Totals may not add due to rounding.

[a]Fiscal year 2007 data represent the number of loans and obligations as of April 30, 2007.

Beginning farmers can also take advantage of FSA's joint financing plans and Down Payment Farm Ownership Loan Program. FSA's joint financing plans have been more popular than the down payment loan program, in part because they have longer loan terms and do not require a down payment. They allow a borrower to receive up to 50 percent of the amount financed through FSA at a reduced interest rate, with another lender providing 50 percent or more of the loan. Through joint financing arrangements, FSA has made 2,395 loans to beginning farmers that provided over $287 million in direct loan assistance between fiscal years 2000 and 2006. Through the Down Payment Farm Ownership Loan Program, FSA made 777 loans to beginning farmers, providing over $42 million in direct loan assistance over the same period. In addition to providing loans, FSA sells properties to beginning farmers from its inventory of farmland properties. From fiscal years 2000 through 2006, it sold 48 properties to beginning farmers, or 4 percent of the 1,136 sold to all farmers over this time period. This form of assistance has been used infrequently in recent years because FSA's farm inventory has been declining.

Conservation Assistance for Beginning Farmers Nearly Doubled between Fiscal Years 2004 and 2006

NRCS conservation financial assistance for beginning farmers through EQIP and CSP increased from over $47 million in fiscal year 2004 to about $92 million in fiscal year 2006.[12] In total, NRCS approved about $233 million in financial assistance for beginning farmers through these two programs from fiscal years 2004 through 2006—about 9 percent of the amount for all farmers. Table 2 shows EQIP and CSP assistance for beginning farmers over this period. Appendix III provides information on EQIP financial assistance approved for beginning farmers in fiscal year 2006 by state.

Table 2: EQIP and CSP Financial Assistance Approved, Fiscal Years 2004 through 2006[a]

Dollars in millions

		Beginning farmers		All farmers	
Year	**Program**	**Number of contracts**	**Financial assistance**	**Number of contracts**	**Financial assistance**
2004	EQIP	2,274	$47.3	46,413	$718.2
2005	EQIP	4,135	92.2	49,406	794.3
2006	EQIP	3,377	91.1	41,190	788.0
Subtotal	EQIP	**9,786**	**$230.7**	**137,009**	**$2,300.4**
2004	CSP	20	$.2	2,188	$35.2
2005	CSP	150	1.4	12,780	145.7
2006	CSP	107	.7	4,323	49.6
Subtotal	CSP	**277**	**$2.3**	**19,291**	**$230.5**
Total	EQIP and CSP		**$232.9**		**$2,530.9**

Source: NRCS.

Note: Totals and subtotals may not add due to rounding.

[a]CSP financial assistance data represent payments approved for new contracts in the given fiscal year. Payments farmers receive in subsequent years for ongoing contracts are not reflected in the table. According to the Congressional Research Service, for example, in fiscal year 2006, funding for new and existing contracts was limited to $259 million, of which approximately $50 million was available for new contracts.

[12]NRCS began tracking EQIP and CSP assistance to beginning farmers in fiscal year 2004. CSP data provided by NRCS used to compute totals in this section reflect financial assistance for contracts approved in a given fiscal year, rather than cumulative financial assistance for current and previous year contracts. NRCS does not track the assistance provided to beginning farmers through its other conservation programs.

Other USDA Programs Assist Beginning Farmers

Programs administered by USDA's Risk Management Agency (RMA) and Cooperative State Research, Education, and Extension Service (CSREES) have funded organizations assisting farmers with risk management and other challenges. For example, RMA administers several partnership programs—in conjunction with state departments of agriculture, universities, nonprofit agricultural organizations, and other public or private organizations—to deliver training and information on production, marketing, and financial risk management to farmers.[13] Some proposals funded through these programs have addressed beginning farmer needs. Additionally, the Community Outreach and Assistance Partnership Program provides higher scores to applicants that partner with organizations that can meet the needs of beginning farmers and other underserved producers. In addition, the Cooperative State Research, Education, and Extension Service provides grants to universities, colleges, and nonprofit organizations to deliver outreach and assistance to socially disadvantaged farmers and ranchers, including farm, management, and marketing assistance. Table 3 describes some of the projects these two agencies have funded that have a focus on beginning farmers.

[13] These include, for example, the Community Outreach and Assistance Partnership Program, Commodity Partnerships for Risk Management Education Program, and the Commodity Partnerships Small Sessions Program.

Table 3: Selected RMA and CSREES Projects That Assist Beginning Farmers, Fiscal Year 2006

Program	Organization	Amount of award	Objective/project goals
RMA Commodity Partnerships Program for Risk Management Education	Minnesota Fruit and Vegetable Growers Association	$149,511	Provide an integrated set of educational conferences and workshops for existing producers, beginning growers, producers planning to transfer the farm to the next generation, farmers' market vendors, and managers.
RMA Commodity Partnerships Small Sessions Program	Oregon State University	$10,000	Provide risk management education to new and beginning farmers of specialty crops in Jackson and Josephine Counties. Producers will learn how to create farm business and marketing plans, use diversification strategies for choosing enterprises, use and employ crop insurance, and understand the various direct marketing techniques available to small producers.
RMA Community Outreach and Assistance Partnership Program	Land Stewardship Project	$90,000	To increase the quality and quantity of support and service for socially disadvantaged beginning farmers at all stages of farming, from exploration through establishment.
CSREES Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	University of Maryland Eastern Shore	$200,000	To bridge the gap between traditional farmers and minority, women, new and beginning farmers and ranchers by designing programs that assist them to acquire, own, operate, and retain farms and ranches.

Source: Risk Management Agency and Cooperative State Research, Education, and Extension Service.

In addition, the Agricultural Marketing Service has programs such as the Farmers Market Promotion Program to help farmers directly market their products, which may indirectly assist beginning farmers. This grant program targets funds to agricultural cooperatives; local governments; nonprofit, public health, and economic development corporations; regional farmers' market authorities; and tribal governments to work toward expanding direct producer-to-consumer marketing opportunities. These include farmers' markets, roadside stands, community-supported agriculture programs, and others.

USDA Has Not Demonstrated the Effectiveness of Its Assistance for Beginning Farmers

USDA has several efforts under way through multiple agencies that assist beginning farmers. However, it is unable to demonstrate the effectiveness of its assistance to this group because (1) it does not have a crosscutting, departmental strategic goal to guide its beginning farmer efforts and because (2) it has only recently begun to develop information on the characteristics of beginning farmers, which will supplement its existing research on the age of farmers and changes in the number of farms.

USDA Lacks a Crosscutting, Departmental Strategic Goal for Its Beginning Farmer Efforts

Although many reasons exist for helping beginning farmers, USDA has not transformed these reasons into a crosscutting, departmental strategic goal that demonstrates the outcomes it expects its beginning farmer efforts to achieve. Without such a goal, USDA runs the risk that its several efforts are not mutually reinforcing or coordinated. Such a goal could address the reasons for beginning farmer assistance cited in Congress and by stakeholders and others. For example, relevant congressional committee reports cite the importance of encouraging young people to enter farming in order to address concerns about the nation's aging farmer population. Stakeholders cite additional reasons for beginning farmer assistance, such as promoting social change by increasing the number of immigrant and minority farmers and changes to the structure of agriculture by increasing the number of small and middle-sized farms.

In 2006, USDA incorporated beginning farmers into its small farms policy to better recognize the importance of assisting beginning farmers. The Small Farms and Beginning Farmers and Ranchers Policy is designed to provide a framework for maintaining the viability of small and beginning farmer operations. It highlights numerous priorities as shown in table 4—from supporting the special needs of beginning farmers to emphasizing socially desirable strategies for this group. It also calls for agencies and mission areas to reflect the small and beginning farmer policy in their strategic plans, performance plans, and other documents. However, the policy does not provide a management and accountability focus for USDA's efforts. (See app. IV for a complete copy of USDA's policy). Furthermore, USDA strategic planning documents contain a beginning farmer performance goal specific to the FSA loan programs, but they do not integrate USDA's and its multiple agencies' several efforts to assist beginning farmers.

Table 4: Selected Statements from USDA's Small Farms and Beginning Farmers and Ranchers Policy

It is the policy of USDA to:
• Enable farmers, farm workers and ranchers to live and work in a safe and responsible environment, own and operate farms and ranches as a livelihood, and enhance opportunities for them to generate farm and ranch incomes comparable to other economic sectors where feasible.
• Establish and support research, development, marketing, incentive, regulatory, and outreach programs and initiatives that focus on the special needs of small farms and beginning farmers and ranchers.
• Encourage and emphasize educational, outreach, marketing, regulatory, credit, and other programs that will help ensure new generations of small farmers and ranchers can gain access to the resources they need.
• … emphasize sustainable agriculture, sustainable forestry, and agroforestry as profitable, environmentally sound, and socially desirable strategies for small farms and beginning farmers and ranchers.

Source: USDA Departmental Regulation 9700-001, Small Farms and Beginning Farmers and Ranchers Policy, August 3, 2006.

A crosscutting, departmental strategic beginning farmer goal could provide needed direction for USDA agencies and help ensure their efforts to assist beginning farmers work toward a common purpose and serve similar clients. For example, such a crosscutting goal could help address concerns about whether FSA's loans and NRCS's conservation assistance are directed toward similar groups of beginning farmers. FSA's loan programs are geared toward beginning farmers with limited economic resources—those who cannot access credit from another source. However, NRCS's definition of a beginning farmer does not contain any income limitations. Not only are these programs serving different groups of farmers, there are unintended consequences as well. According to an NRCS document, the agency's higher cost-share rates for beginning farmers have the potential to attract wealthy, retired, and absentee landowners. For example, an NRCS official told us of a case where a beginning farmer receiving NRCS assistance reported having an income of about $1 million, and another said his state did not offer a higher EQIP cost-share rate for beginning farmers because of concerns that wealthy beginning farmers would benefit. Appendix V contains information about NRCS's and FSA's beginning farmer definitions.

While USDA has not established a crosscutting, departmental strategic goal for beginning farmers, two USDA agencies—FSA and RMA—have each developed their own beginning farmer performance goals. These goals set targets for the volume of their beginning farmer activities—the number of farmers assisted and the dollars they receive—rather than outcomes. Specifically, FSA annually tracks the volume of its lending to a combined grouping of its borrowers—including beginning farmers and socially disadvantaged farmers (racial and ethnic minority farmers and women farmers). FSA measures its performance by the increase in lending to these combined groups. For example, as shown in table 5, FSA reported that in 2006, 39 percent of its loan funds were obligated to these groups. Starting in fiscal year 2006, FSA adopted a related performance goal that tracks increases in the number of beginning farmers, racial and ethnic minority farmers, and women farmers in its portfolio as a percentage of individuals in this category with at least $10,000 in sales.[14] FSA reported having 42,495 beginning and socially disadvantaged borrowers in its portfolio in fiscal year 2006—15.5 percent of its estimate of the 273,349 beginning and socially disadvantaged farmers who have at least $10,000 in sales.[15] In effect, FSA measures its volume in providing loans to these groups, rather than measuring progress toward achieving a particular beginning farmer outcome, such as improving the financial well-being of beginning farmers or ensuring they continue to farm after leaving the loan program. Goals related to outcomes could provide additional insight into program effectiveness and allow FSA to evaluate the extent to which its loan programs contribute to a crosscutting, departmental goal.

In addition to its specific beginning farmer goals, FSA also has broad performance goals related to its loan program. For example, one goal addresses the frequency with which farmers graduate from FSA's direct loan program to its guaranteed loan program. Other goals address the efficiency of FSA's lending as shown in table 5.

[14]FSA's estimate of the number of beginning and socially disadvantaged farmers is based on its analysis of data collected in the 2002 Census of Agriculture—the total number of all principal farm operators identified as beginning farmers (estimated as farmers with less than 10 years on their current farming operation), women, and minorities with at least $10,000 in gross sales.

[15]Of these 42,495 beginning and socially disadvantaged borrowers, 25,064 were beginning farmers and 17,431 were socially disadvantaged.

Table 5: FSA Loan Program Performance Goals and Measures

	Measures		Goal reported in			
Performance goals and measures	**Fiscal year 2006 actual**	**Fiscal year 2007 goal**	**USDA Strategic Plan (fiscal years 2005–2010)**	**USDA Performance and Accountability Report (fiscal year 2006)**	**FSA Strategic Plan Framework (fiscal years 2005-2011)**	**OMB Program Rating (PART)[a]**
Goals directly related to beginning farmers						
Increase lending to minority, women, and beginning farmers (percentage of loan obligations)[b]	39	37.1	X	X		X
Increase percentage of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA (percent)[c]	15.5	16.0			X	
Goals related to loan performance						
Reduce first-year delinquency rates on new loans (percent)	7	10				
Reduce average processing time for direct loans (number of days)	31	34.5		X	X	X
Reduce average processing time for guaranteed loans (number of days)	12.63	14		X	X	X
Maintain or reduce direct loan loss rate (percent)	2.6	3.2			X	X
Maintain or reduce guaranteed loan loss rate (percent)	.34	1			X	X
Maintain or reduce direct loan delinquency rate (percent)	8.1	9.7				X
Maintain or reduce guaranteed loan delinquency rate (percent)	1.45	1.99				
Administrative cost per loan (percent)	1.91	2.03				X

Performance goals and measures	Measures: Fiscal year 2006 actual	Measures: Fiscal year 2007 goal	Goal reported in: USDA Strategic Plan (fiscal years 2005–2010)	Goal reported in: USDA Performance and Accountability Report (fiscal year 2006)	Goal reported in: FSA Strategic Plan Framework (fiscal years 2005-2011)	Goal reported in: OMB Program Rating (PART)[a]
Other performance goals						
Increased revenue and profit of farms and ranches (dollars)	N/A	$55 billion				X
Graduate direct borrowers to the guaranteed program (percent)	35	33				X

Source: USDA and Office of Management and Budget documents.

Note: N/A refers to data that was not available at the time we wrote this report.

[a]The Office of Management and Budget (OMB) performed a Program Assessment Rating Tool (PART) review of the FSA guaranteed loan program in 2003 and a review of the direct loan program in 2004, and assessed both of these programs as moderately effective.

[b]In 2007, FSA combined its goal for beginning and socially disadvantaged farmers—women and minority farmers—into a single goal. It also modified its formula for calculating lending to this group to eliminate the double counting of borrowers who are both beginning and socially disadvantaged farmers.

[c]FSA developed this goal in fiscal year 2006. This goal reflects the number of beginning farmers, racial and ethnic minorities, and women currently in FSA's loan portfolio divided by the total number of all principal farm operators in the 2002 Census of Agriculture with $10,000 or more in gross sales who were identified as minority, women, or beginning farmers (farmers with less than 10 years on their present farm).

In addition to the information FSA tracks on the number and types of borrowers served, a 2005 University of Arkansas study provides insight into the effectiveness of USDA's direct loan program for beginning farmers that could provide one basis for developing FSA performance goals that feed into a departmental, crosscutting goal.[16] The study focused on borrowers, including beginning farmers, originating FSA direct loans between fiscal year 1994 and 1996. Among other things, the study found that beginning farmer borrowers had positive average annual change in their net worth, potentially indicating financial progress. It also found that

[16]John Nwoha, Bruce L. Ahrendsen, Bruce L. Dixon, Eddie C. Chavez, Sandra J. Hamm, Daniel M. Settlage, and Diana Danforth. *Farm Service Agency Direct Farm Loan Program Effectiveness Study.* Research Report 977. Arkansas Agricultural Experiment Station, Division of Agriculture, University of Arkansas System. Fayetteville, Arkansas. December 2005. The study analyzed a sample of loans originated between October 1, 1993, and September 30, 1996.

about 82 percent of those who received beginning farmer direct farm ownership loans who had left the loan program by 2004 had graduated to another form of credit, such as FSA guaranteed loans or commercial loans, or no longer needed credit. The remainder left farming voluntarily (approximately 13 percent); involuntarily, such as due to financial stress (approximately 3 percent); or died (approximately 3 percent).[17]

Like FSA, RMA has performance goals related to beginning farmers and tracks actions, as table 6 shows. However, tracking actions provides limited performance information and does not indicate the level of improvement.

Table 6: RMA Performance Goals Relating to Beginning Farmers, Fiscal Years 2006-2011

Performance goals	Baseline 2006	Target 2011
Improve the delivery mechanisms and reduce barriers to participation for risk management tools targeted for small farms and beginning limited resource producers.	Development of two risk management tools is targeted to small farms and beginning limited resource producers to increase participation.	Improve communications and delivery mechanisms for new risk management tools that are targeted to increase the participation of small farms and beginning limited resource producers.
Provide small farms and beginning limited resource producers with information and technical assistance necessary to access and participate in RMA programs.	Progress measured in numbers served. Information and technical assistance provided to 50,000 small farms and beginning limited resource producers.	Progress measured in improved ability to manage risks. Seventy percent of producer participants in an RMA-funded educational activity will report that they are more prepared to manage risks as a result of participating in the RMA-funded activity.
Educate small farms and beginning limited resource producers on risk management strategies.	Utilize 62 Outreach Partnerships to provide training on risk management strategies to small farms and beginning limited resource producers.	Utilize 75 Outreach Partnerships to provide training on risk management strategies to small farms and beginning limited resource producers.

Source: RMA Strategic Plan for fiscal year 2006–2011.

Note: In addition to the goals reflected in this table, RMA has established additional performance goals more broadly related to its programs.

[17]These statistics represent beginning farmers who are not considered socially disadvantaged. The study calculated separate figures for borrowers who were both beginning and socially disadvantaged. Of beginning, non-socially disadvantaged farmers using direct operating loans who had left the program by 2004, about half (50 percent) graduated to another form of credit, such as FSA guaranteed loans or commercial loans, or no longer needed credit. The remainder left farming voluntarily (approximately 35 percent), involuntarily (approximately 12 percent), or through retirement (2 percent).

Other agencies we spoke with—NRCS, the Agricultural Marketing Service, and the Cooperative State Research, Education, and Extension Service—do not have beginning farmer performance goals. NRCS officials told us their performance goals are driven by their natural resource and environmental goals and do not directly target beginning farmers. Cooperative State Research, Education, and Extension Service and Agricultural Marketing Service officials said they have not developed beginning farmer performance goals because their programs benefit farmers broadly, rather than providing targeted assistance to this group.

Nevertheless, achieving a common goal of importance often requires collaborative efforts among agencies. In 2005, GAO reported that collaborative efforts require agencies to define and articulate the common purpose or outcome they are seeking to achieve.[18] In addition, GAO reported that agencies' collaborative efforts can be enhanced and sustained by, among other things, establishing mutually reinforcing or joint strategies; identifying and addressing needs by leveraging resources; establishing compatible policies and procedures; and developing mechanisms to monitor, evaluate, and report on results.

USDA Has Begun to Develop Information on Beginning Farmers That Could Help Better Target Its Efforts

USDA has recently begun to develop baseline information about beginning farmer characteristics, which should help the department evaluate and better target its beginning farmer efforts. Among other things, recently developed analysis of existing data shows that beginning farmers are younger than established farmers (about 7 in 10 beginning farmers are under 55 years of age), operate smaller farms, and are slightly more ethnically diverse and female than other farmers. Table 7 provides some recent data on beginning farmers that was developed by economists from USDA's Economic Research Service (ERS). These data estimate there were 484,981 beginning farmers with less than 10 years of experience operating farms from which $1,000 or more of agricultural products were produced and sold or normally would have been sold during the year.

[18]GAO. *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

Table 7: Selected Characteristics of Beginning Farmers

	Established farmers	Beginning farmers
Number of farms	1,476,558	484,981
Average farm net worth	$723,075	$384,755
Under 55 years of age	37%	70%
55 years of age or older	63%	30%
Nonwhite or Hispanic	6%	8%
White, non-Hispanic	94%	92%
Male	91%	87%
Female	9%	13%

Source: D. Newton and M. Ahearn. USDA's Farm Definition and the Targeting of Underserved Farmers. Presented at the Professional Agricultural Workers Conference, December 2006. Tuskegee, Alabama.

Note: Beginning farmer data were calculated by analyzing data about principal farm operators from the 2005 Agricultural Resource Management Survey.

ERS economists told us they are supplementing this work with additional analysis to provide insight into the characteristics of beginning farmers. This information will include the location of beginning farmers across the United States, the types of production they engage in, the size of their operations, their level of participation in government programs, as well as whether they rent or own land. They are also analyzing differences between beginning farmers actively engaged in farming and those who are "hobby" farmers. For example, ERS economists found that roughly one-third of beginning farms in 2005 had no agricultural output and were likely operated by individuals interested in a rural residential lifestyle.[19]

In addition to ERS's efforts, FSA has recently begun to analyze the financial characteristics and types of production of beginning farmers with FSA loans, as table 8 illustrates. This information shows, for example, that most beginning farmers with FSA direct loans are involved in livestock, corn, or soybean production.

[19]D. Newton and M. Ahearn. *Management Strategies of Beginning Farmers and Ranchers*. Poster Presentation. Presented at the American Agricultural Economics Association Meetings, July 29–31, 2007. Portland, Oregon.

Table 8: Distribution of Beginning Farmer Borrowers by Type of Production for FSA Direct Loans Made in Fiscal Years 2005-2006

Type of production	Farm ownership loans	Operating loans
Beef cattle	38.2%	37.8%
Corn, soybean	19.5	11.2
General row crops	11.4	10.7
Dairy	10.1	17.2
Other crops	4.9	6.5
Wheat	5.6	3.0
Other livestock	3.0	2.6
Cotton	.9	4.4
Fruit, nut, nursery	1.9	2.4
Vegetable and potato	1.6	2.6
Poultry and eggs	2.9	1.7
Total	**100%**	**100%**[a]

Source: FSA.

Note: According to FSA, for the purposes of this analysis general row crops included rice, peanuts, grain sorghum, and diversified crop farms. Other crops included hay, sugar, tobacco, and grass seed. Other livestock included hogs, sheep, goats, horses, bees, alpacas, and aquaculture.

[a]Totals do not add to 100 percent due to rounding.

This type of information should help FSA determine the extent to which the characteristics of its beginning farmer borrowers reflect those of beginning farmers as a whole. Furthermore, FSA officials we spoke with said that as additional data are entered into the agency's new centralized system for monitoring borrowers, it will be possible to conduct long-term analyses about these borrowers, including beginning farmers. This information will be valuable for understanding how farming operations change as a result of FSA assistance, including whether they expand and survive.

Finally, USDA's analysis of beginning farmer characteristics supplements its work relating to changes in the age of farmers and the number of farms.[20] In 2007, USDA economists reported that the number of older farmers is increasing and the number of young farmers is declining. Younger farmers enter the business at a very slow rate, a fact that tends to increase the average age of farmers as a whole. Agricultural census data show that the average of age of principal farm operators in 2002 was 55, an increase from 50 years of age in 1978. Nevertheless, the number of farms has been relatively stable in recent years according to USDA because of a near balance in the overall rate of farm entry and exit.[21] Moreover, USDA maintains that changes in the age composition of the farm population and its overall size will not likely impair the nation's food security, since increases in labor productivity have been rapid enough to maintain farm output.

Conclusions

Over the past two decades, heightened focus on beginning farmers by Congress and the agricultural community has led to USDA programs and incentives that provide much financial assistance to this group. However, despite the billions of dollars provided to beginning farmers through loans and conservation assistance, USDA has not yet demonstrated the effectiveness of its assistance to beginning farmers by showing what its expenditures are accomplishing. Although there are many reasons for helping beginning farmers, USDA has not developed a crosscutting, departmental strategic goal for its beginning farmer efforts to describe its expected accomplishments. FSA provides information about the dollars it directs to beginning farmers, but this information does not provide adequate direction for the department's efforts or speak to the outcomes of its beginning farmer assistance. Without a crosscutting, departmental strategic performance goal, USDA will be unable to determine the effectiveness of its current beginning farmer efforts and the need for changes in this assistance. Furthermore, the department's recent work to develop information about the characteristics of beginning farmers should help it define the outcomes it wants to achieve and develop a related crosscutting, departmental strategic goal. Additional baseline data about

[20] Related reports include, among others, Robert A. Hoppe, Penni Korb, Erik J. O'Donoghue, and David E. Banker, *Structure and Finances of U.S. Farms. Family Farm Report, 2007 Edition.* USDA Economic Research Service. June 2007.; Fred Gale, "Age-Specific Patterns of Exit and Entry in U.S. Farming, 1978-1997." *Review of Agricultural Economics*, vol. 25, no. 1 (2003); and Fred Gale, *The New Generation of American Farmers: Farm Entry and Exit Prospects for the 1990's.* USDA Economic Research Service. October 1994.

[21] Robert A. Hoppe and Penni Korb. *Understanding U.S. Farm Exits.* USDA Economic Research Service. June 2006.

beginning farmer characteristics that provide insight into who beginning farmers are, which ones USDA assists, and how beginning farmer operations in agriculture change over time should (1) help USDA track the changes within this group, (2) provide a basis for more in-depth analyses about the effects of existing programs on beginning farmers, and (3) help identify the need for new forms of assistance. Furthermore, continued analysis of how beginning farmer policies affect farm entry and the age of farmers could provide insight into program effectiveness.

Recommendations for Executive Action

To better ensure USDA can provide Congress and the public with information on the effectiveness of assistance to beginning farmers, we are recommending that the Secretary of Agriculture develop a crosscutting, departmental strategic beginning farmer performance goal that identifies the desired outcomes of USDA's beginning farmer assistance and that links to related agency goals. We also recommend that USDA track progress toward achieving these goals.

Agency Comments and Our Evaluation

We provided USDA with a draft of this report for review and comment. In a letter dated September 12, 2007, we received formal comments from the Secretary of Agriculture. These comments are reprinted in appendix VI. We also received oral technical comments, which we incorporated into the report, as appropriate.

USDA stated that it generally agreed with our report and recommendations. In particular, USDA explained that it would be able to develop more focused performance measures once the 2007 Farm Bill is complete. However, USDA did not specifically state whether it would develop a crosscutting, departmental strategic goal as we recommended.

In addition, USDA stated that its departmental and agency strategic plans, taken together, provide a comprehensive strategy to ensure that its programs to assist beginning farmers are achieving stated objectives and goals. We disagree, since the goals in USDA's plans do not provide adequate direction and focus for the department's multiple beginning farmer efforts. For example, the departmental goal in USDA's Strategic Plan to "Enhance the Competitiveness and Sustainability of Rural and Farm Economies" is related to agricultural producers and rural communities broadly; it is not specific to beginning farmers. A performance goal within that plan to increase the percentage of loans made to beginning farmers, racial and ethnic minority farmers, and women farmers is not crosscutting in nature and relates only to FSA's loan programs.

Moreover, USDA's comments do not indicate a full appreciation of the efforts needed to implement our recommendation. For example, USDA did not discuss the need for further analysis of (1) beginning farmer characteristics, (2) gaps in beginning farmer assistance, and (3) the effects of beginning farmer policies on farm entry and the age of farmers. Such analysis could help USDA define the outcomes it expects its beginning farmer assistance to achieve and develop a crosscutting, departmental strategic goal to measure success. Furthermore, USDA did not directly respond to our conclusion that it has not demonstrated what has been accomplished by the billions of dollars of assistance to beginning farmers. In light of the federal government's large and growing structural deficits, GAO has stated that agencies must link resources and activities to results. While USDA has taken the first steps in tracking the numbers of farmers it assists, a crosscutting strategic goal can help ensure its programs are mutually reinforcing in their support of beginning farmers.

USDA also stated that FSA has virtually no discretion in setting the definition of a qualified beginning farmer and rancher. However, we believe that if USDA determines that consistency between FSA's and NRCS's programmatic definitions would better ensure that beginning farmer dollars work toward a common purpose, it should consider what changes are needed and how best to effect those changes. If USDA finds the changes in definitions require legislative action to achieve consistency across programs or focus efforts on particular outcomes, it should provide its analysis to Congress for consideration.

Finally, USDA provided examples of RMA partnership programs that provided higher scores to applicants partnering with organizations that help beginning farmers and other underserved producers. Although the partnership programs direct risk management assistance to a broad class of producers rather than specifically to beginning farmers, we clarified the language in our report to acknowledge how the application scoring process can benefit beginning farmers. Our report also identifies examples of projects designed to help beginning farmers and other underserved producers.

As agreed with your staff, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to interested congressional committees and the Secretary of Agriculture. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staff have any questions about this report or need additional information, please contact me at (202) 512-3841 or shamesl@gao.gov. Contact points for our Offices of Congressional Relations and of Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix VII.

Sincerely yours,

Lisa Shames

Lisa Shames
Director, Natural Resources
and Environment

Appendix I: Scope and Methodology

At the request of the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, we examined U.S. Department of Agriculture (USDA) support to beginning farmers and ranchers. Our objectives were to (1) identify the key steps USDA has taken to help beginning farmers and (2) assess USDA's actions to measure the effectiveness of these steps.

To identify USDA's key steps to assist beginning farmers, we reviewed documentation describing the purpose and extent of USDA assistance to this group. We focused on departmental efforts to assist beginning farmers, as well as efforts by individual agencies such as the Farm Service Agency (FSA) and Natural Resources Conservation Service (NRCS). We also reviewed legislation authorizing assistance to beginning farmers, such as the Food, Agriculture, Conservation, and Trade Act of 1990; the Agricultural Credit Improvement Act of 1992; and the Farm Security and Rural Investment Act of 2002. To refine our understanding of the amount of assistance provided through beginning farmer programs, we also spoke with FSA and NRCS officials who manage programs that assist beginning farmers. Specifically, we spoke with officials from FSA's loan making and servicing divisions, as well as the agency's Economic and Policy Analysis staff. We spoke with NRCS officials who administer the Environmental Quality Incentives Program (EQIP) and Conservation Security Program (CSP), as well as a representative from the Resource Conservation and Development and Rural Lands Division. In addition, to identify other programs that may assist beginning farmers either directly or indirectly, we spoke with officials representing the Cooperative State Research, Education, and Extension Service (CSREES); Risk Management Agency (RMA); and the Agricultural Marketing Service (AMS). We reviewed data these agencies provided about the level of assistance to beginning farmers, including the number of loans and conservation dollars approved. We also contacted small and beginning farmer coordinators and the Co-Executive Directors of the Small Farms and Beginning Farmers and Ranchers Council to discuss the strengths and limitations of departmental assistance to beginning farmers.

To assess USDA's actions to measure the effectiveness of steps taken to assist beginning farmers, we reviewed USDA's and agency strategic plans and USDA's Performance and Accountability Report. We also reviewed reports on farm entry and exit, the characteristics of beginning farmers, and the effectiveness of credit programs. In addition, we spoke with agency officials from FSA's Farm Loan Program and an official from NRCS's Strategic and Performance Planning Division. These officials described agency efforts taken to measure the effectiveness of USDA's efforts to serve beginning farmers and data used to monitor program performance. Last, we spoke with Economic Research Service (ERS) and National Agricultural Statistics Service (NASS) officials about data available regarding the characteristics of beginning farmers and future directions for their research.

To understand the challenges beginning farmers face, we spoke with representatives from the Advisory Committee on Beginning Farmers and Ranchers. The Advisory Committee was established by USDA in 1998 to provide advice to the Secretary of Agriculture about methods of creating new farming and ranching opportunities, among other things. Members interviewed included those representing academia, cooperative extension programs, state government, and advocacy groups. On the basis of discussions with members of the Advisory Committee, we identified and interviewed other stakeholders, also representing academia, cooperative extension programs, state government, and advocacy groups. These interviews provided insight into USDA assistance to beginning farmers and potential areas for change and included such groups as the American Farm Bureau Federation, California FarmLink, Cornell Cooperative Extension, Iowa State University's Beginning Farmer Center, and the Montana Department of Agriculture, among others. We also reviewed relevant policy papers and spoke with representatives from such organizations as the Center for Rural Affairs and the Sustainable Agriculture Coalition to familiarize ourselves with their recommendations for beginning farmer policy changes.

Our work was performed between September 2006 and August 2007 in accordance with generally accepted government auditing standards.

Appendix II: FSA Loans to Beginning Farmers by State and Loan Type, Fiscal Year 2006

Dollars in millions

	Direct operating loans		Guaranteed operating loans		Direct farm ownership loans		Guaranteed farm ownership loans		Total loans	
State	Number of loans	Total amount of loans	Number of loans	Total amount of loans	Number of loans	Total amount of loans	Number of loans	Total amount of loans	Number of loans	Total amount of loans[a]
Alabama	51	$1.8	6	$0.3	6	$0.4	32	$15.0	95	$17.6
Alaska	2	0.1	0	0.0	0	0.0	0	0.0	2	0.1
Arizona	15	1.0	3	0.2	2	0.4	0	0.0	20	1.6
Arkansas	393	26.4	178	28.5	38	5.2	105	44.3	714	104.4
California	59	4.7	70	16.1	9	1.5	15	5.2	153	27.6
Colorado	41	2.1	16	1.7	15	1.4	13	4.0	85	9.2
Connecticut	3	0.1	2	0.5	0	0.0	2	0.3	7	0.9
Delaware	1	0.1	0	0.0	3	0.6	3	1.2	7	1.9
Florida	29	2.1	10	1.1	4	0.5	6	3.4	49	7.1
Georgia	164	11.8	73	10.5	12	1.4	35	19.2	284	42.9
Hawaii	25	0.4	1	0.0	0	0.0	1	0.2	27	0.7
Idaho	109	7.0	48	7.0	16	2.4	13	2.1	186	18.6
Illinois	103	5.8	59	6.1	73	7.1	18	2.5	253	21.4
Indiana	42	2.0	20	1.6	61	8.8	33	10.2	156	22.7
Iowa	492	19.6	102	15.3	200	26.6	42	11.1	836	72.6
Kansas	162	8.5	27	2.6	123	13.8	18	2.1	330	27.0
Kentucky	308	8.9	41	5.6	59	6.8	32	8.1	440	29.4
Louisiana	126	8.8	52	10.1	3	0.6	8	3.0	189	22.5
Maine	34	1.6	6	0.6	2	0.4	2	0.3	44	2.9
Maryland	2	0.1	4	0.3	1	0.2	12	2.9	19	3.6
Massachusetts	19	0.8	5	1.0	3	0.3	2	1.3	29	3.3
Michigan	117	7.1	31	3.4	51	6.3	25	5.0	224	21.9
Minnesota	437	23.4	115	14.2	106	16.1	23	4.9	681	58.5
Mississippi	106	6.3	23	5.6	5	0.4	4	2.9	138	15.2
Missouri	159	8.1	60	8.1	83	10.1	65	19.0	367	45.3
Montana	43	2.7	29	2.2	14	2.3	14	2.5	100	9.7
Nebraska	526	25.4	53	8.5	138	17.9	28	6.3	745	58.1
Nevada	14	1.1	1	0.1	0	0.0	0	0.0	15	1.2
New Hampshire	24	0.8	0	0.0	3	0.2	0	0.0	27	1.0
New Jersey	23	1.1	2	0.2	2	0.4	1	0.9	28	2.5
New Mexico	15	0.9	9	1.6	4	0.4	4	0.4	32	3.3
New York	118	7.0	42	3.2	27	3.3	10	1.7	197	15.2
North Carolina	78	3.9	39	5.7	9	1.1	40	12.6	166	23.3

Dollars in millions

	Direct operating loans		Guaranteed operating loans		Direct farm ownership loans		Guaranteed farm ownership loans		Total loans	
State	Number of loans	Total amount of loans	Number of loans	Total amount of loans	Number of loans	Total amount of loans	Number of loans	Total amount of loans	Number of loans	Total amount of loans[a]
North Dakota	206	13.4	94	17.2	51	5.6	12	1.8	363	38.0
Ohio	42	1.3	33	2.9	42	4.7	66	10.2	183	19.2
Oklahoma	223	9.0	38	7.8	110	12.5	45	13.7	416	43.0
Oregon	124	5.6	29	4.1	9	1.7	5	1.7	167	13.0
Pennsylvania	229	12.7	18	1.8	34	5.7	17	5.0	298	25.2
Rhode Island	3	0.0	0	0.0	0	0.0	0	0.0	3	0.0
South Carolina	129	8.9	15	3.7	22	3.0	46	18.6	212	34.3
South Dakota	368	19.3	57	8.1	80	10.7	16	4.5	521	42.6
Tennessee	76	4.4	23	5.2	21	2.9	10	3.9	130	16.4
Texas	265	15.5	70	13.8	51	7.1	16	6.7	402	43.1
Utah	110	5.8	5	0.5	20	2.4	11	1.9	146	10.7
Vermont	63	3.0	7	1.6	2	0.3	5	1.0	77	5.9
Virginia	24	1.2	11	1.4	9	1.2	10	3.0	54	6.8
Washington	86	6.0	37	4.9	10	1.6	8	2.1	141	14.6
West Virginia	91	2.5	1	0.1	8	1.1	2	0.3	102	4.1
Wisconsin	527	30.5	84	12.0	107	16.5	45	10.4	763	69.4
Wyoming	20	1.0	4	0.5	8	1.2	2	0.3	34	3.0
Puerto Rico	4	0.1	0	0.0	7	0.4	0	0.0	11	0.5
Virgin Islands	2	0.0	0	0.0	0	0.0	0	0.0	2	0.0
Western Pacific Territories	6	0.1	0	0.0	1	0.1	0	0.0	7	0.1
National total[a]	**6,438**	**$341.8**	**1,653**	**$247.5**	**1,664**	**$215.4**	**922**	**$278.1**	**10,677**	**$1,082.8**

Source: FSA

[a]Dollar totals may not add due to rounding.

Appendix III: EQIP Financial Assistance Approved for Beginning Farmers by State, Fiscal Year 2006

Dollars in millions

State	Contracts	Financial assistance
Alabama	106	$1.4
Alaska	26	1.3
Arizona	52	4.6
Arkansas	72	1.3
California	182	8.4
Colorado	96	2.8
Connecticut	23	2.3
Delaware	25	1.2
Florida	1	0
Georgia	7	0.1
Hawaii	32	1.1
Idaho	56	2.1
Illinois	5	0.1
Indiana	38	0.9
Iowa	65	1.5
Kansas	87	1.5
Kentucky	100	1.0
Louisiana	182	2.5
Maine	64	1.4
Maryland	48	0.6
Massachusetts	24	0.5
Michigan	45	2.3
Minnesota	11	0.2
Mississippi	293	2.0
Missouri	77	1.6
Montana	88	2.6
Nebraska	51	1.4
Nevada	7	0.8
New Hampshire	63	1.9
New Jersey	30	1.9
New Mexico	114	3.2
New York	33	0.8
North Carolina	148	4.5
North Dakota	55	2.6
Ohio	23	0.2
Oklahoma	260	3.2

Dollars in millions

State	Contracts	Financial assistance
Oregon	44	1.6
Pennsylvania	48	2.3
Rhode Island	30	1.8
South Carolina	96	1.7
South Dakota	31	1.8
Tennessee	39	0.7
Texas	107	2.1
Utah	74	3.4
Vermont	9	0.4
Virginia	88	3.1
Washington	42	1.7
West Virginia	18	0.2
Wisconsin	4	0.1
Wyoming	26	1.1
Pacific Basin	23	0.7
Puerto Rico	109	2.7
National Total	**3,377**	**$91.1**

Source: NRCS

Appendix IV: USDA Small Farms and Beginning Farmers and Ranchers Policy

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

DEPARTMENTAL REGULATION	Number: 9700-001
SUBJECT: Small Farms and Beginning Farmers and Ranchers Policy	DATE: August 3, 2006
	OPI: Office of the Chief Economist

1 PURPOSE

This regulation sets forth the policy of the United States Department of Agriculture (USDA) with regard to the importance and role of small farms, ranches, woodlots, and beginning farmers and ranchers (hereafter referred to as small farms and beginning farmers and ranchers) to U.S. agriculture and the establishment of strategies, systems, and a Departmental framework for achieving and maintaining the viability of small farms and beginning farmers and ranchers.

2 SPECIAL INSTRUCTIONS

Departmental Regulation (DR) 9700-1, dated September 8, 1999 is replaced by this revised regulation, which revises DR 9700-1 to include beginning farmers and ranchers.

3 BACKGROUND

a Small farms have been critical to American society throughout the Nation's history. Today, as historically, the vast majority of all farms in the United States are small. The viability and sustainability of these farms is important to our Nation's economy, to the wise stewardship of our biological and natural resources, and to the leadership and social fabric of rural communities. Their economic contribution is important to the Nation and is especially critical to the thousands of rural communities where they pay taxes and to the thousands of businesses they support.

b Small farms play an important role in the U.S. agricultural sector. The Economic Research Service (ERS) in its Farm Typology Group Definition uses the definition of "small farm" developed by the National Commission on Small Farms. The Commission used

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$250,000 in gross sales as its cutoff between small and large farms in its report, ***A Time to Act*** (U.S. Dept. Agr., Nat'l. Comm. on Small Farms, 1998), released in January 1998. This definition was instituted in 1997 by the Secretary of Agriculture to examine issues facing small farms. The definition is generally accepted by Congress, researchers, land grant institutions, the small farm community and others. In 2004, small farms accounted for 92 percent of all farms and ranches, owned 71 percent of the total productive assets in agriculture, operated 60 percent of all land used in agricultural production, and accounted for 26 percent of all agricultural receipts from crops and livestock. Small farms took leadership in the development of organic production systems in the United States. In the late 1990s, the organic and natural foods market became the fastest growing sector of the U.S. food market.

c Owning and operating a small farm represents an avenue to economic independence and entrepreneurial achievement for many Americans from all walks of life. Small farms owners and operators are a diverse group of Americans, including American Indians or Alaska Natives, Asians, Blacks or African Americans, Ethnic Europeans, Hispanic or Latino Origin, Native Hawaiians or Other Pacific Islanders, Spanish, Whites, women, persons with disabilities, and others.

d Small farms are operated by resourceful agriculturalists, who combine entrepreneurship, business skills, family labor, and knowledge to produce food and fiber, and wood products consumed by millions of Americans and people around the world. However, not all small family farms are alike. As of 2004, the Economic Research Service (ERS) identified four primary groups of small family farms, each with different resources, goals, and contributions to the Nation's agricultural production. These groups are: 1) *Primary occupation* farms, which account for 25 percent of all U.S. farms and are operated by farmers who farm as their primary occupation; 2) *Limited resource* farms, which make up 9 percent of farms and have low household income and gross sales less than $100,000; 3) *Retirement farms*, which account for 16 percent of farms and are operated by individuals who identify themselves as retired; and 4) *Residential or lifestyle farms*, which constitute 40 percent of farms and are operated by people whose primary occupation is something other than farming.

Limited resource, retirement, and residential or lifestyle farms accounted for about 8 percent of the value of U.S. agricultural production. Small farms where farming is the primary occupation accounted for almost one fifth of production.

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e Due to Congressional concern over the increasing average age of American farmers and ranchers, the Agricultural Credit Improvement Act of 1992 (Act) required the Secretary to establish: (1) beginning farmer loan programs; (2) Federal-State beginning farmer partnerships for the purpose of providing joint financing to beginning farmers and ranchers; and (3) an Advisory Committee on Beginning Farmers and Ranchers. The Act also required that loan funds be targeted to beginning farmers and ranchers.

In accordance with the Act, USDA implemented beginning farmer and rancher loan programs in Fiscal Year (FY) 1994. Since then, through the end of FY 2005, the Farm Service Agency (FSA) has made more than 87,000 loans to beginning farmers and ranchers, totaling $7.6 billion. FSA has also created Federal-State beginning farmer partnerships by signing Memorandums of Understanding (MOUs) with 20 State beginning farmer programs through December 2005.

USDA also established an Advisory Committee on Beginning Farmers and Ranchers in 1998. The Committee meets annually and has provided recommendations to the Secretary. USDA has implemented some of the recommendations.

The Farm Security and Rural Investment Act of 2002 required the Natural Resources Conservation Service to provide higher payments to beginning farmers and ranchers in some of its programs, and authorized the Secretary to establish a Beginning Farmer and Rancher Development Program.

4 POLICY

USDA's policy for Small Farms and Beginning Farmers and Ranchers is based on the guiding principles for Federal farm policy as recommended by the Secretary of Agriculture's National Commission on Small Farms and the Advisory Committee on Beginning Farmers and Ranchers.

It is the policy of USDA to:

a Encourage farming systems that produce safe, healthy, and diverse food, fiber and wood products, and create greater opportunities to connect farmers with consumers.

b Encourage and support an agricultural system that sustains and strengthens rural communities, cultural diversity, and encourages and rewards responsible stewardship of natural resources.

c Enable farmers, farm workers and ranchers to live and work in a safe and responsible environment, own and operate farms and ranches as a livelihood, and enhance opportunities for them to generate farm and ranch incomes comparable to other economic sectors where feasible.

d Establish and foster marketing, development, credit, and outreach programs that improve the competitiveness of small and beginning farmers and ranchers and give priority to farmer-owned and farm-based businesses, especially those that foster local and regional competition in production, processing, and distribution of food, fiber, and wood products that connect small farms and beginning farmers and ranchers and consumers at the local and regional levels.

e Establish and support research, development, marketing, incentive, regulatory, and outreach programs and initiatives that focus on the special needs of small farms and beginning farmers and ranchers, especially those programs that help small farms and beginning farmers and ranchers develop alternative enterprises, value-added products, and collaborative marketing efforts, including cooperatives that enhance stewardship of biological, natural, human, and community resources.

f Make special efforts to meet the credit needs of small farms and underserved, minority, women, and beginning farmers and ranchers.

g Encourage and emphasize educational, outreach, marketing, regulatory, credit, and other programs that will help ensure new generations of small farmers and ranchers can gain access to the resources they need.

h Foster collaboration among public and private sector agencies, programs, and institutions, including farm and community-based organizations, to meet the financial, educational, and technological needs of small farms and beginning farmers and ranchers, including developing small farms and beginning farmer and rancher networks, joint enterprises, and mentoring systems.

i Encourage all USDA agencies, the land grant institutions, and collaborating public and private sector institutions to emphasize sustainable agriculture, sustainable forestry, and agroforestry as profitable, environmentally sound, and socially desirable strategies for small farms and beginning farmers and ranchers.

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5 ACTION ORDERED

a This regulation establishes a Small Farms and Beginning Farmers and Ranchers Council, chaired by the Deputy Secretary. Membership will be comprised of the Under Secretary, Marketing and Regulatory Programs; Under Secretary, Farm and Foreign Agricultural Services; Under Secretary, Food, Nutrition and Consumer Services; Under Secretary, Food Safety; Under Secretary, Natural Resources and Environment; Under Secretary, Research, Education and Economics; Under Secretary, Rural Development; Chief Economist; Assistant Secretary for Administration; Assistant Secretary for Civil Rights; Director of the Office of Outreach; General Counsel; and the Director, Office of Budget and Program Analysis.

b The Director of the Office of Small Farms Coordination, Office of the Under Secretary, Research, Education and Economics, and the Designated Federal Official for the Secretary's Advisory Committee on Beginning Farmers and Ranchers will serve as Co-Executive Directors of the Small Farms and Beginning Farmers and Ranchers Council and are responsible for coordinating, advocating, and facilitating implementation of small farms and beginning farmer and rancher policies and programs.

c The Director of the Office of Small Farms Coordination will chair a Department-wide group of coordinators for each mission area, individual agencies, the Designated Federal Official for the Secretary's Advisory Committee on Beginning Farmers and Ranchers, the Office of Outreach, the Office of Civil Rights, the Office of Chief Economist, the Office of Budget and Program Analysis and the Office of the General Counsel for the purpose of planning, recommending, and coordinating the implementation of small farms and beginning farmers and ranchers policies and programs within USDA. The Coordinators will make recommendations to the Council. The Council will be responsible for implementing any recommendations.

d Equal opportunity practices, in line with USDA policies, will be followed in all membership appointments as coordinators and committees. To ensure that the recommendations of the coordinators and committees have taken into account the needs of the diverse groups served by the Department, membership shall include, to the extent practicable, individuals who are minorities, women, and persons with disabilities.

e The policies and actions ordered in this regulation are to be reflected in all mission area and agency mission statements, strategic plans,

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performance plans, and performance goals. These policies are to be incorporated into all technical guides, handbooks, and materials used to provide service to small farms and beginning farmer and rancher operators (including extension publications).

—END—

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Source: USDA

Appendix V: FSA and NRCS Beginning Farmer Definitions

FSA and NRCS have different beginning farmer definitions in place. While both definitions generally define a beginning farmer and rancher as one who has operated a farm or ranch for 10 years or less who will materially and substantially participate in its operation, only FSA's definition considers an applicant's available resources as part of its program eligibility requirements. FSA's definition also establishes other requirements that relate to its loan programs. For example, beginning farmers must agree to participate in borrower training. Table 9 presents a comparison of both FSA and NRCS beginning farmer definitions.

Table 9: FSA and NRCS Beginning Farmer Definitions

Farm Service Agency	Natural Resources Conservation Service
As defined in 7 U.S.C. 1991(a)(11) and 7 C.F.R. § 1941.4 a beginning farmer or rancher is an individual or entity who:	As defined in 7 C.F.R. §§ 1466.3 and 1469.3, a beginning farmer or rancher is an individual or entity who:
• has not operated a farm or ranch or has operated a farm or ranch for not more than 10 years	• has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 consecutive years
• will materially and substantially participate in the operation of the farm or ranch[a]	• will materially and substantially participate in the operation of the farm or ranch[a]
• meets the loan eligibility requirements of the program to which he/she is applying	
• agrees to participate in such loan assessment, borrower training, and financial management programs as the Secretary requires	
• demonstrates insufficient resources to continue farming or ranching on a viable scale	
• does not own a farm greater than 30 percent of the average size farm in the county (farm ownership loans only)	

Source: GAO.

[a]If the applicant is an entity, all members must materially and substantially participate in the operation of the farm or ranch.

Appendix VI: Comments from the Department of Agriculture

USDA

United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

September 12, 2007

Ms. Lisa Shames
Director, Natural Resources and Environment
Government Accountability Office
441 G Street, N.W.
2T23-A, Room 2964
Washington, D.C. 20548

Dear Ms. Shames:

Thank you for providing the Department of Agriculture (USDA) the opportunity to review the Government Accountability Office's (GAO) draft report GAO 07-1130, "Beginning Farmers: Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance." The Department generally agrees with the GAO report and its recommendations; however, we wish to offer the following comments.

We agree with GAO that it would be helpful for USDA to provide additional emphasis in the Department's strategic plan, including measures to assess outcomes of cross-cutting and departmental beginning farmer assistance. As indicated by GAO, the Department provides a significant amount of assistance to beginning farmers. This assistance is provided by a number of agencies within several mission areas of the Department. In February 2004, USDA held a stakeholder meeting to solicit input on the concerns of small family farmers in order to address their needs in the Department's Strategic Plan for 2005 to 2010. The results of that meeting are reflected in our Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies, which highlights the importance of beginning farmers to the health of the rural economy and the interrelationships between USDA programs aimed at assisting them. The plan identifies the Department's means for measuring performance and strategies for improving assistance. Individual USDA agency strategic plans are in turn linked to the USDA Strategic Plan. Taken together, these plans provide a comprehensive strategy to ensure that USDA programs to assist beginning farmers are achieving stated objectives and goals.

The Administration has also developed a broad package of proposed changes to several titles of the Farm Bill that will help future generations of farmers and ranchers become established in production agriculture. These proposals will help to address the challenges faced by beginning farmers and support the success of the next generation of farmers and ranchers. These proposals will provide tangible benefits and help in leveraging assets to purchase or expand farm and ranch operations. Key elements of the beginning farmer and rancher proposals include an increase in direct payments, targeting 10 percent of conservation payments to beginning farmers and ranchers, reducing the interest rate under the Beginning Farmer and Rancher Down Payment

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Loan Program and doubling the maximum loan amount, and creating a combined maximum for direct operating loans and direct ownership loans of $500,000. We would note that debate on the 2007 Farm Bill is not yet completed in Congress. Once we know the outcome of the Farm Bill debate and of our proposals on this topic, we will be better able to develop more focused measures.

With regard to the GAO's recommendation that USDA track progress toward achieving the Department's goals for assisting beginning farmers, we have the following comments. The Farm Service Agency (FSA) has followed the legislative intent of the programs for its beginning farmer credit assistance. FSA has dramatically increased the amount of credit assistance provided to beginning farmers over the past several years, meeting or exceeding its funding targets for lending to beginning farmers in most loan program areas. In this regard, FSA has been effective in providing assistance to beginning farmers and ranchers. FSA's loan allocations provide financing to six to seven percent of the farmers and ranchers in the country.

The draft report makes passing reference to a new performance measure developed for the FSA Farm Loan Programs, which measures the percentage of beginning farmers, minorities, and women financed by FSA. The measure is identified in the report as a measure of loan volume and not an outcome measure. While not an outcome measure in terms of whether or not FSA's credit assistance is contributing to the improved financial well being of its customers, it is more than a measure of loan volume. The measure demonstrates agency success in accomplishing one of the primary objectives in its Fiscal Year 2005-2011 Strategic Plan, providing access to capital. Specifically, the measure was developed as an indicator of FSA's success in providing credit assistance to the targeted population of farmers which have been historically underserved by the commercial lending industry.

The report also discusses the difference in definitions of beginning farmer and rancher used by FSA and the Natural Resources Conservation Service. It is important to note that FSA beginning farmer programs and funding targets are tied to the statutory definition of "qualified beginning farmer and rancher," set forth in Section 343(a), 7 U.S.C. 1991 (a) (11). FSA has virtually no discretion in setting the definition because the statute is very specific.

The report indicates that the Risk Management Agency's (RMA) partnership programs are not specifically targeting beginning farmers. Since 2003, RMA has applied actions to specifically target beginning farmers. In a Federal Register Notice published on June 13, 2003, RMA adopted the recommendation made by the USDA Secretary's Advisory Committee on Beginning Farmers and Ranchers in 2002 to target beginning farmers and ranchers. RMA stated that higher scores would be given to applicants that were sensitive to the needs of beginning farmers and ranchers and to those who planned to partner with organizations that assist beginning farmers and ranchers. In a separate Federal Register Notice dated March 12, 2007, RMA stated that applicants for the Community Outreach and Assistance Partnership Program would receive higher scores to the extent that they can document and demonstrate that a substantial effort

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has been made to partner with organizations that can meet the needs of producers that are beginning farmers and ranchers. This year RMA is also sponsoring "The Risk Management Strategies for Beginning and Small Farmers and Ranchers Conference", which will be held in Milwaukee, Wisconsin, from September 12 through 15, 2007. This conference will promote the success and viability of beginning and small farmers and ranchers.

With respect to GAO's recommendation that the Secretary develop a cross-cutting departmental strategic beginning farmer performance goal, it is also important to note that RMA has performance measures that demonstrate support for beginning farmers. Some of these performance measures are reported in the Annual Performance Plan; others are tracked and reported only in internal management reports. RMA's information is used to track and demonstrate the effectiveness of RMA assistance to beginning farmers in support of the USDA Strategic Plan for 2005-2010.

Once the 2007 Farm Bill is passed we will be better able to develop more focused measures for beginning farmers and ranchers. Again, thank you for the opportunity to comment on the draft GAO report; "Beginning Farmers: Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance."

Sincerely,

Mike Johanns
Secretary

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Lisa Shames, (202) 512-3841

Staff Acknowledgments

In addition to the individual named above, Charles Adams, Assistant Director; Kevin Bray; Barbara El Osta; Paige Gilbreath; Lynn Musser; Carol Herrnstadt Shulman; and Tracy Williams made key contributions to this report.

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