

Beginning Farmer Rancher Development Program

**University of Illinois
Dixon Springs Agriculture Center**

January 17, 2015

Farm Service Agency, USDA

- Tim Reynolds, Farm Loan Manager, Vienna
tim.reynolds@il.usda.gov
- John Gehrke, Farm Loan Specialist, Vandalia
john.gehkre@il.usda.gov



FSA's Role in Rural America

- FSA Farm Loan Programs provide loans, loan guarantees, and business planning to eligible farmer operators & owner / operators
- FSA partners with commercial lenders
- FSA is the “Lender of First Opportunity”

FSA Farm Loan Programs

CORE BUSINESS

- Provides supervised credit
- Improves access to specialized financing
- Risk Management
- Farm planning and counseling.
- Sustained financial planning services.
- Helps American farmers achieve their goals

Illinois Loan History – Dollars \$\$\$

\$ Millions	GU OL	GU FO	D OL	D FO	EM-CL	Totals
FY 14	19,614	97,710	16,645	57,810	25 K	191,803
FY 13	23,063	134,585	16,986	15,677	1.5	191,810
FY 12	22,683	117,682	16,740	33,016	.04	190,162
FY 11	29,413	147,261	15,076	34,441	0	226,191
FY 10	60,479	86,942	18,054	39,556	0	205,031
FY 09	43,555	64,961	17,695	29,974	0	156,185

Illinois Loan History - Numbers

	Loan #	GU OL	GU FO	D OL	D FO	EM – CL	Total
	FY 14	73	233	279	347	1	933
	FY 13	83	314	272	105	22	796
	FY 12	91	300	259	208	1	859
	FY 11	135	360	229	215	1	940
	FY 10	265	242	269	267	0	1,043
	FY 09	206	209	273	199	0	887

Barriers In Obtaining Credit

Adequate Repayment Ability

Collateral For The Loan

Lender Comfort Zone

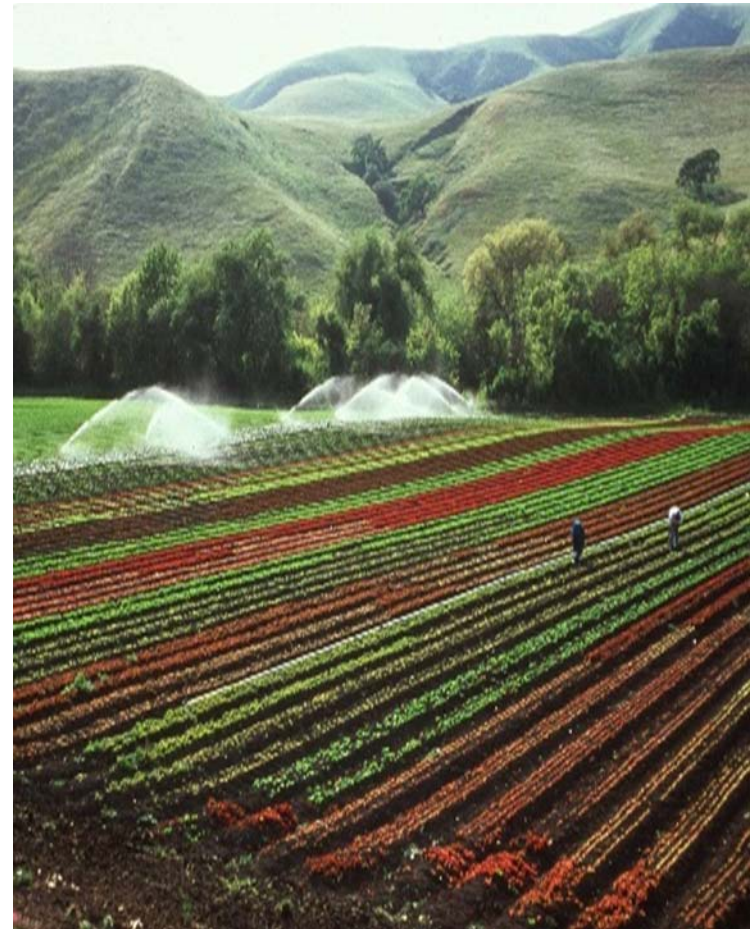


FSA Farm Loan Programs (FLP)

Loan Eligibility

Loan Products

1. Farm Operating
2. Microloans
3. Rural Youth Loans
4. Farm Ownership
5. Guaranteed Loans





Loan Eligibility

- Test for credit
- Farm experience and managerial ability
- Acceptable credit history
- Owner/operator of a family sized farm
- Positive repayment ability
- U.S. Citizen or legal resident
- Borrower training



Direct Farm Operating Loans



- Direct **annual** operating loans
 - » \$300,000 maximum loan amount
 - » Maximum term is 18 months
- Direct **term** loans
 - » \$300,000 maximum loan amount
 - » Maximum term is 7 years

1 year of farm operating and management experience

Direct Farm Operating Loan Purposes

- Start up expenses
- Crop expenses
- Tools & equipment
- Livestock
- Minor farm improvements
- Irrigation equipment



Security Requirements For Direct Farm Operating Loans

- For annual operating purposes: FSA must have a first lien on farm products produced and additional security up to 150% when available.
- For term loan operating purposes: FSA must have a first lien on items purchased with loan funds and additional security up to 150% when available.



What is a Microloan

An operating loan, either annual or term, that does not exceed \$50,000 and when the loan is closed, the total outstanding operating loan principal debt does not exceed \$50,000. Microloans have an abbreviated application process and are made to eligible applicants to finance farm operating costs.

Microloan

- Improves access to credit
- Reduces the paperwork burden
- 1 year of farm operating and management experience
 - Applicants not meeting the general requirement for farm operating and management experience may still be eligible.
 - » Alternatives include
 - An apprentice relationship
 - Past participation with organizations such as FFA, 4-H, Beginning Farmer programs, and Community Based Organizations
 - Prior small business management experience combined with a self-directed apprenticeship
- Maximum loan amount is \$50,000
- Repayment period range from 1- 7 years
- These loans are for smaller farming operations and niche agriculture commodity producers
- 70% of the farms in the US have gross sales under \$25,000

Microloan Application

1. Application FSA -2330 “Request For Microloan Assistance”
 1. Balance sheet
 2. Cash flow budget summary
 3. Written description of applicant’s farm training and experience
2. Credit report fee
3. AD-1026 “Highly Erodible Land Conservation and Wetland Conservation Certification”
4. Direct deposit information
5. Verification of non-farm income (IF needed for a positive cash flow)
6. Previous years income and expenses and production if available
7. FSA -2370 “Request For Waiver Of Borrower Training”

Security For Microloans

- For annual operating purposes: FSA must have a first lien on farm products produced and additional security up to 150% when available.
- For term loan operating purposes: FSA must have a first lien on items purchased (Loans must be secured at 100%).

Rural Youth Loans



Loan up to \$5,000 to finance a modest income/agriculture related project for a youth, age 10 to 20. Must be sponsored by a project advisor, such as 4-H or FFA

Direct Farm Ownership Loan Purposes

- Used to acquire farmland
- Make capital improvements
- **Can not** be used to refinance debts



Direct Real Estate Loans

- Beginning Farmer Down payment Loan “5-45-50”
- “50-50” Participation Loan
- 100% Loan Financing



Beginning Farmer Down Payment

5-45-50

- 3-10 years of farming experience
- Unable to get credit elsewhere
- Owner/operator of farm to be purchased
- Cannot currently own more than 30% of the Average Farm Acreage in that County



Beginning Farmer Down Payment

5-45-50

- Applicant provides a minimum down payment of 5% of purchase price
- FSA can finance up to \$300,000 or 45% of purchase price (whichever is less)
- FSA interest rate is currently 1.5% & maximum term is 20 years (second mortgage)
- FSA Security will be a second lien on the real estate being purchased

Participation Loan

50-50

- FSA loans up to 50% of amount financed
\$300,000 Maximum loan amount
- FSA's interest rate is currently 2.5%
- Another lender provides a minimum of 50% of the amount being financed and obtains a first mortgage
- FSA Security will be a second lien on the real estate being purchased and additional security up to 150% when available.



100% Real Estate Loan Financing

- FSA loans up to 100% of the purchase price or appraised value whichever is less (\$300,000 maximum loan amount).
- Interest rate is currently 4%
- FSA Security will be a first lien on the real estate being purchased and additional security up to 150% when available.

Guaranteed Loans

FSA provides commercial lenders with a 90% guarantee

- Loan limit is \$1,392,000
- Farm Operating Loans
 - Purposes
 - » Start up expenses
 - » Crop expenses
 - » Tools & equipment
 - » Livestock
 - » Minor farm improvements
 - » Irrigation equipment
- Farm Ownership Loans
 - Purposes
 - » Used to acquire farmland
 - » Make capital improvements
 - » Can also be used to refinance debts



Business Planning

- Goals
- Markets
- Access to land and equipment
- Credit Needs
- Risk management & diversification



Noninsured Crop Disaster Assistance Program (NAP)

The Noninsured Crop Disaster Assistance Program (NAP), reauthorized by the 2014 Farm Bill and administered by the Farm Service Agency (FSA), provides financial assistance to producers of noninsurable crops to protect against natural disasters that result in lower yields or crop losses, or prevents crop planting.

- Eligible Producers
 - An eligible producer is a landowner, tenant or sharecropper who shares in the risk of producing an eligible crop and is entitled to an ownership share of that crop.
- Coverage Levels
 - NAP provides catastrophic level (CAT) coverage based on the amount of loss that exceeds 50 percent of expected production at 55 percent of the average market price for the crop.
 - The 2014 Farm Bill authorizes additional coverage levels ranging from 50 to 65 percent of production, in 5 percent increments, at 100 percent of the average market price. Additional coverage must be elected by a producer by the application closing date. Producers who elect additional coverage must pay a premium in addition to the service fee. Crops intended for grazing are not eligible for additional coverage.

How To Register Your Farm With FSA

- Locate your local FSA Office
- If you currently own ground:
 - Bring in a copy of your deed
 - FSA will list you as an Owner/Operator on your farm
- If only renting ground:
 - Your landlord will need to bring in a copy of their deed
 - FSA will list your landlord as owner and you as operator

Websites

start2farm.gov

www.fsa.usda.gov

- Contains basic information on all FSA programs / most fact sheets and forms are downloadable from this location
- Contact Information including:
 - E-mail addresses, mailing address and phone numbers of the Farm Loan Offices



1 of 6

Farm Service Agency Price Loss Coverage (PLC) & Agricultural Risk Coverage (ARC) ▶

Producers and landowners have decisions to make about the best safety-net program for their farms. Here is where to begin the decision-making process.



Popular Topics

- [FSA Farm Bill](#)
- [FSA Fact Sheets](#)
- [Agricultural Risk Coverage / Price Loss Coverage](#)
- [Dairy Margin Protection Program web tool](#)
- [Conservation Compliance Requirements for FSA programs](#)
- [Daily LDP Rates and PCP Data](#)
- [Commodity Credit Corporation Information](#)
- [Human Resources Website](#)
- [Civil Rights Information](#)



United States Department of Agriculture
Farm Service Agency



[Home](#) [About FSA](#) [State Offices](#) [Newsroom](#) [Online Services](#) [Forms](#) [Help](#) [Contact Us](#) [En Español](#)

Search FSA

Go

◆ Search Tips

Browse by Audience

Information For...

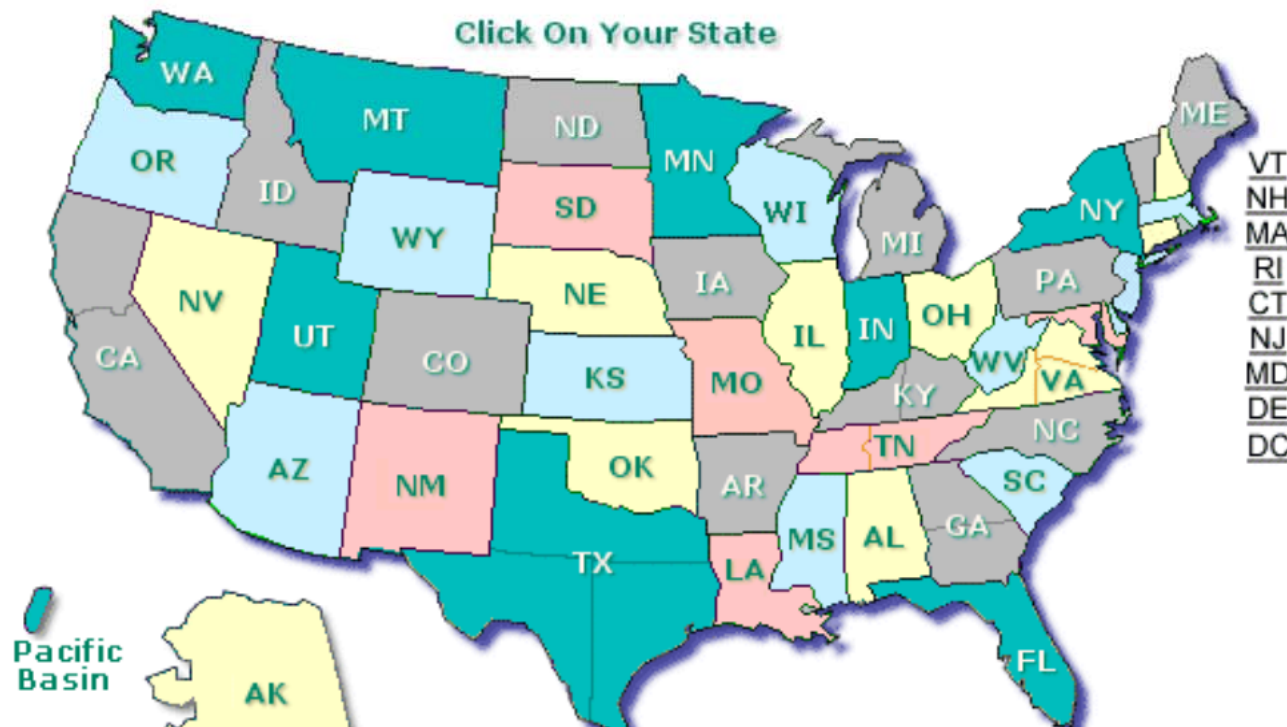
Browse by Subject

- ▶ Aerial Photography
- ▶ ARC/PLC Programs
- ▶ Commodity Operations
- ▶ Conservation Programs
- ▶ Dairy Margin Protection Program
- ▶ Direct and Counter-Cyclical Program/ACRE
- ▶ Disaster Assistance Programs

You are here: [FSA Home](#) / [State Offices](#)

State Offices

Click On Your State





United States Department of Agriculture
Farm Service Agency



[Home](#) [FSA Home](#) [About FSA](#) [Newsroom](#) [Online Services](#) [Forms](#) [Help](#) [Contact Us](#) [En Español](#)

Search FSA

Go

[Search Tips](#)

Browse by Subject

- ▶ [County Committee Minutes](#)
- ▶ [County Offices](#)
- ▶ [County PCP Data](#)
- ▶ [Daily LDP Rates](#)
- ▶ [Programs](#)
- ▶ [Newsletters](#)
- ▶ [State Committee Minutes](#)
- ▶ [State Events](#)
- ▶ [State News Releases](#)

You are here: [FSA Home](#) / [State Offices](#) / Illinois

WELCOME

Scherrie V. Giamanco
State Executive Director

Stabilizing farm income, helping farmers conserve land and water resources, providing credit to new or disadvantaged farmers and ranchers, and helping farm operations recover from the effects of disaster are the missions of the U.S. Department of Agriculture's Farm Service Agency (FSA). FSA was set up when the Department was reorganized in 1994; though its name has changed over the years, the Agency's relationship with farmers goes back to the 1930s. At that time, Congress set up a unique system under which Federal farm programs are administered locally. Farmers who are eligible to participate in these programs elect a three- to five-person county committee, which reviews county office operations and makes decisions on how to apply the programs. This grassroots approach gives farmers a much-needed say in how Federal actions affect their communities and their individual operations. After more than 60 years, it remains a cornerstone of FSA's efforts to preserve and promote American agriculture.

Spotlights

To have news releases sent directly to your email go to the [FSA](#)

I Want To...

- [Email a Suggestion/Comment to the Illinois State Office](#)
- [Subscribe to the FSA Email Subscriptions](#)

Hot Links

- [FSA Handbooks](#)
- [FSA Notices](#)
- [News Releases](#)
- [Emergency Designation News Releases](#)
- [Spotlights](#)
- [Fence Post](#)
- [Subscriptions](#)
- [Media Relations Contacts](#)
- [FSA - Disaster Assistance](#)

Questions

