



CENTER *for* RURAL AFFAIRS

# SALUTING SERVICE: A GUIDE TO LENDING AND FARM PROGRAM RESOURCES FOR VETERANS

BY CORA FOX | SEPTEMBER 2019

## I. INTRODUCTION

With the average age of a farmer at nearly 60 years, and millions of acres expected to change hands over the next few years, many Americans are thinking about who the next generation of producers will be.

Investment in the next generation of producers is garnering attention with key congressional leaders who participate in the House and Senate Agriculture Committees, and the Secretary of Agriculture. The Agriculture Improvement Act of 2018, also known as the farm bill, included many program changes that were targeted to improve access to farm programs for beginning, socially-disadvantaged, and veteran farmers and ranchers. Despite these policy advances, many producers face barriers that impede their ability to start or maintain successful farming operations.

The need for support of the next generation of producers is evident in our home state of Nebraska. Nebraska's aging farmer population is on par with the national average. Nearly 47,000 farms and ranches in the state provide 6 percent of all U.S. agriculture sales.<sup>1</sup> And, the 3rd Congressional District leads the nation in total

producers and number of farms.<sup>2</sup> However, by the completion of the next Census of Agriculture in 2022, we can reasonably expect that many of Nebraska's farms will have sold or been passed on to new owners.

According to the 2014 U.S. Department of Agriculture (USDA) National Agricultural Statistics Service (NASS), Nebraska landowners predicted a transfer of 4.45 million acres between 2014 and 2019.<sup>3</sup> Approximately 360,000 acres would be sold to non-relatives, and more than 445,000 acres would be kept in the family. While this information has not been updated to reflect the most recent Census, it does show explicit need for supporting the next generation of producers.

To ensure the U.S. is able to maintain a multi-billion dollar agricultural industry and support rural communities, our policies must create opportunity for the next generation of those who intend to produce our food and fiber.

---

1 "Nebraska Agriculture Fact Card." Nebraska Department of Agriculture, February 2019, [nda.nebraska.gov/facts.pdf](http://nda.nebraska.gov/facts.pdf). Accessed July 2019.

---

2 "Table 1. Total Farm Producers and Number of Farms Ranking of Congressional Districts by Farm Producers: 2017." U.S. Department of Agriculture National Agricultural Statistics Service, 2017, [nass.usda.gov/Publications/AgCensus/2017/Online\\_Resources/Congressional\\_District\\_Rankings/cdr\\_1\\_001\\_001.pdf](http://nass.usda.gov/Publications/AgCensus/2017/Online_Resources/Congressional_District_Rankings/cdr_1_001_001.pdf). Accessed June 2019.

3 "Quick Stats." U.S. Department of Agriculture National Agricultural Statistics Service, 2014, [quickstats.nass.usda.gov/results/57F560EC-3807-3AE3-9491-E07C248877BB?location\\_desc=NEBRASKA](http://quickstats.nass.usda.gov/results/57F560EC-3807-3AE3-9491-E07C248877BB?location_desc=NEBRASKA). Accessed July 2019.

The intent of this publication is to highlight the needs of America’s next generation of producers, which includes individuals who served their country and who are now pursuing a second career in agriculture. Additionally, this publication will function as a guide to farm programs that specifically target beginning and veteran farmers and ranchers.

## II. WHO IS A VETERAN FARMER?

USDA defines a veteran farmer or rancher<sup>4</sup> as:

- A farmer or rancher who has served in the Armed Forces, to include the U.S. Army, Navy, Marine Corps, Air Force, or Coast Guard and their respective reserve components; and
- Has not operated a farm or ranch;
- Has operated a farm or ranch less than 10 years; or
- Is a veteran who has first obtained status as a veteran in the most recent 10-year period.

Note: To be eligible for USDA farm programs as a veteran farmer, the individual must have been discharged and released under conditions other than dishonorable. The type of military discharge a veteran receives is listed on their Department of Defense Form (DD 214).

Any use of the term “veteran farmer” in this publication refers to USDA’s definition of a veteran farmer or rancher.

## III. 2017 CENSUS OF AGRICULTURE

USDA NASS conducted the most recent Census of Agriculture in 2017. The Census provides a comprehensive review of agriculture in the U.S., and is completed on a five-year cycle.

The Census included a question regarding military service for the first time in 2017. This infor-

---

4 7 USC. Sec 2279. 2019. uscode.house.gov/view.xhtml?req=2279&f=treesort&fq=true&num=9&hl=true&edition=prelim&granuleId=USC-prelim-title7-section2279. Accessed August 2019.

mation helps us better understand farmers with military service, and also identifies areas of need.

Here are a few takeaways:

- Accounting for 11 percent of the U.S. total, 370,619 producers reported military service.<sup>5</sup> In Nebraska, 6,965 producers reported military service.<sup>6</sup>
- Nationally, many farms operated by veterans have fewer than 179 acres.<sup>7</sup> However, Nebraska notably differs, with the majority of farms operated by veterans having more than 180 acres.<sup>8</sup> Many Nebraska veteran farmers reported having more than 500 acres.<sup>9</sup>
- As a whole, veterans report owning more acres than they lease.

---

5 “2017 Census of Agriculture - United States Summary and State Data.” U.S. Department of Agriculture National Agricultural Statistics Service, Volume 1, Geographic Area Series, Part 51, April 2019, [nass.usda.gov/Publications/AgCensus/2017/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_US/usv1.pdf](http://nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_US/usv1.pdf). Accessed May 2019.

6 “Producers with Military Service - Selected Producer Characteristics.” U.S. Department of Agriculture National Agricultural Statistics Service, April 2019, [nass.usda.gov/Publications/AgCensus/2017/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_State\\_Level/Nebraska/st31\\_1\\_0066\\_0066.pdf](http://nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_State_Level/Nebraska/st31_1_0066_0066.pdf). Accessed May 2019.

7 “2017 Census of Agriculture - United States Summary and State Data.” U.S. Department of Agriculture National Agricultural Statistics Service, Volume 1, Geographic Area Series, Part 51, April 2019, [nass.usda.gov/Publications/AgCensus/2017/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_US/usv1.pdf](http://nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_US/usv1.pdf). Accessed May 2019.

8 “Producers with Military Service - Selected Producer Characteristics.” U.S. Department of Agriculture National Agricultural Statistics Service, April 2019, [nass.usda.gov/Publications/AgCensus/2017/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_State\\_Level/Nebraska/st31\\_1\\_0066\\_0066.pdf](http://nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_State_Level/Nebraska/st31_1_0066_0066.pdf). Accessed May 2019.

9 Ibid.

- The vast majority of veterans both nationally and in Nebraska report operating a farm for more than 11 years.<sup>10</sup> And, with an average age of 67.9 years, most veteran farmers likely served in the Vietnam era.<sup>11</sup>

The Census findings tell us there are fewer beginning veteran farmers. We can also reasonably discern there may be a correlation between farm size and age of producers. More established producers often have increased access to land and credit, allowing them to grow.

Although the Census of Agriculture is a helpful resource, we must recognize the survey is reliant on producer response. According to NASS, many farmers do not participate in the survey and response rates have declined over time.<sup>12</sup> Despite such limitations, the data derived from the Census should be considered when assessing the needs of beginning and veteran farmers and ranchers.

#### IV. BARRIERS TO FARMING

Many beginning farmers, including veteran farmers, struggle to access land. According to a survey completed by the Center for Rural Affairs in 2016, many USDA Farm Service Agency (FSA) county employees see high rent, land, startup, and operating costs as barriers that impede participation in the Conservation Reserve Program - Transition Incentives Program.<sup>13</sup> In addition, FSA county employees

-----  
 10 “2017 Census of Agriculture - United States Summary and State Data.” U.S. Department of Agriculture National Agricultural Statistics Service, Volume 1, Geographic Area Series, Part 51, April 2019, [nass.usda.gov/Publications/AgCensus/2017/Full\\_Report/Volume\\_1,\\_Chapter\\_1\\_US/usv1.pdf](http://nass.usda.gov/Publications/AgCensus/2017/Full_Report/Volume_1,_Chapter_1_US/usv1.pdf). Accessed May 2019.

11 Ibid.

12 “Frequently Asked Questions.” U.S. Department of Agriculture National Agricultural Statistics Service, [nass.usda.gov/AgCensus/FAQ/2017/index.php](http://nass.usda.gov/AgCensus/FAQ/2017/index.php). Accessed June 2019.

13 Johnson, Anna and Glen Ready. “Pathways to Land Access: A Study of the Conservation Reserve Program - Transition Incentives Program in Four States.” Center for Rural Affairs, February 2017, [cfra.org/pathways-to-land-access](http://cfra.org/pathways-to-land-access). Accessed July 2019.

reported that competition with established producers remains a challenge for new farmers.<sup>14</sup> Although this survey was focused on participation in a specific USDA program, these barriers influence participation in other farm programs as well. Without assistance, such as specialized lending programs or targeted legislation, many new farmers transitioning from a career in the military will face difficulty in competing with larger, more established producers to access land, operating money, and other important resources.

To help address these barriers, USDA offers various farm programs that are targeted to assist beginning and veteran farmers in accessing the tools needed to get their start in agriculture.

#### V. INVESTMENT IN THE NEXT GENERATION OF PRODUCERS: GUIDE TO USDA FSA CREDIT OPTIONS FOR BEGINNING AND VETERAN FARMERS

Access to credit is an important component of most farming operations, especially for new and beginning producers. Veteran farmers who are getting their start in agriculture often lack assets or cash flow to help them purchase land, equipment, and farm inputs. As a result, many veteran farmers rely on financial assistance from lenders.

FSA is the branch of USDA that offers a variety of loan programs, including providing access to much-needed credit for beginning and veteran farmers. Access to credit allows for the opportunity to gain entry into agriculture. Lending programs from FSA are critical for producers who cannot access credit from commercial lenders. As the “lender of first opportunity,” FSA’s goal is to help producers progress and move on to a commercial lender.<sup>15</sup>

FSA offers both direct and guaranteed loan programs to assist beginning and veteran farmers.

-----  
 14 Ibid.

15 “Your FSA Farm Loan Compass.” U.S. Department of Agriculture Farm Service Agency, September 2017, [fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/loan-servicing/farm\\_loan\\_compass\\_9-22-17.pdf](http://fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/loan-servicing/farm_loan_compass_9-22-17.pdf). Accessed July 2019.

Farmers work with USDA employees to secure direct loans. For guaranteed loan programs, farmers work with third party lenders to secure loans, and USDA backs these loans in case of default. 2018 was a monumental year for FSA loan programs, as Direct Farm Ownership Loan obligations to all farmers reached a record \$1.1 billion.<sup>16</sup> In total, nearly 35,000 loan obligations amounted to more than \$5.4 billion.<sup>17</sup>

Of these, veteran farmers received 1,026 direct operating and ownership loans, totaling \$82.1 million from FSA.<sup>18</sup> Furthermore, third parties provided veteran farmers 224 loans, amounting to \$76 million, with guarantees from FSA.<sup>19</sup> Approximately 2.9 percent of all FSA loan obligations went to veteran farmers in the same year.

**Loan program information is from various FSA resources. For more information, stop by your local FSA office. To find the nearest location to you, visit the USDA Service Center Locator at: [farmers.gov](http://farmers.gov).**

## A. DIRECT FARM OWNERSHIP LOANS

FSA's ownership loans help producers access land and capital. These loans can be used to buy land, grow a farming operation, build or improve farm buildings and facilities, and more.

To qualify for a Direct Farm Ownership Loan, applicants must have three years of farm management experience within a decade of the date of the loan application. Two of these years can be substituted if the applicant has certain qualifying experiences.

The maximum loan amount for a Direct Farm Ownership Loan is \$600,000. The maximum repayment period for a Direct Farm Ownership Loan is 40 years.<sup>20</sup>

There are two additional types of Direct Farm Ownership Loans, as described below:

1. Direct Farm Ownership Joint Financing Loan; and
2. Direct Farm Ownership Down Payment Loan.

### 1. DIRECT FARM OWNERSHIP JOINT FINANCING LOAN

The Direct Farm Ownership Joint Financing Loan utilizes lending from both FSA and a commercial lender, state program, or seller of the farm or ranch being purchased. FSA provides up to 50 percent of the cost or value of the land being purchased.<sup>21</sup>

The maximum loan amount for a Joint Financing Loan is \$600,000, with a maximum repayment period of 40 years.<sup>22</sup>

---

16 "Program Data." U.S. Department of Agriculture Farm Service Agency, 2018, [fsa.usda.gov/programs-and-services/farm-loan-programs/program-data/index](http://fsa.usda.gov/programs-and-services/farm-loan-programs/program-data/index). Accessed June 2019.

17 Ibid.

18 "Farm Loan Programs - Obligations Report Veteran Data." U.S. Department of Agriculture Farm Service Agency, September 2018, [fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/Farm-Loan-Programs/pdfs/program-data/Veteran\\_Farmer\\_Lending\\_By\\_State\\_FY2018.pdf](http://fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/Farm-Loan-Programs/pdfs/program-data/Veteran_Farmer_Lending_By_State_FY2018.pdf). Accessed May 2019.

19 Ibid.

---

20 "Farm Ownership Loans." U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/programs-and-services/farm-loan-programs/farm-ownership-loans/index](http://fsa.usda.gov/programs-and-services/farm-loan-programs/farm-ownership-loans/index). Accessed June 2019.

21 Ibid.

22 Ibid.

**TABLE 1: DIRECT FARM OWNERSHIP LOAN OBLIGATIONS TO ALL FARMERS AS OF SEPT. 30, 2018**

	Number of loans	Amount
<b>Nebraska</b>	368	\$77,907,000
<b>Total (nationwide)</b>	6,236	\$1,145,326,000

**TABLE 2: DIRECT FARM OWNERSHIP LOAN OBLIGATIONS TO VETERAN FARMERS AS OF SEPT. 30, 2018**

	Number of loans	Amount
<b>Nebraska</b>	13	\$2,838,460
<b>Total (nationwide)</b>	238	\$38,325,984

## 2. DIRECT FARM OWNERSHIP DOWN PAYMENT LOAN

The Direct Farm Ownership Down Payment Loan is only available to beginning producers and/or minority and women applicants.<sup>23</sup> If you are a veteran farmer with less than 10 years of experience farming, you would be eligible to apply for this loan. This loan helps finance the purchase of a farm or ranch.

Eligible beginning farmer loan applicants cannot own more than 30 percent of the average size farm, based on Census of Agriculture data, at the time of application. In addition, applicants must provide 5 percent of the purchase price of the farm or ranch.<sup>24</sup>

The maximum loan amount for a Down Payment Loan cannot exceed 45 percent of either the purchase price, the appraised value of the farm;

23 Ibid.

24 Ibid.

or \$667,000, whichever is less. The repayment period for a Down Payment Loan is 20 years.<sup>25</sup> Different conditions apply to non-FSA lenders.

As of Sept. 30, 2018, Direct Farm Ownership Loan obligations to all farmers nationwide totaled approximately \$1.1 billion, with 6,236 loans. See Table 1.<sup>26</sup> About \$38 million of that total was to veteran farmers. See Table 2.<sup>27</sup>

25 Ibid.

26 "Farm Loan Programs Obligations Report." U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/Assets/USDA-FSA-Public/usda-files/Farm-Loan-Programs/pdfs/program-data/Obligations\\_FY18.pdf](https://fsa.usda.gov/Assets/USDA-FSA-Public/usda-files/Farm-Loan-Programs/pdfs/program-data/Obligations_FY18.pdf). Accessed August 2019.

27 "Farm Loan Programs Obligations Report - Veteran Data." U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/program-data/Veteran\\_Farmer\\_Lending\\_By\\_State\\_FY2018.pdf](https://fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/program-data/Veteran_Farmer_Lending_By_State_FY2018.pdf). Accessed August 2019.

**TABLE 3: DIRECT FARM OPERATING LOAN OBLIGATIONS TO ALL FARMERS AS OF SEPT. 30, 2018**

	Number of loans	Amount
<b>Nebraska</b>	1,638	\$112,257,000
<b>Total (nationwide)</b>	19,921	\$1,112,835,000

**TABLE 4: DIRECT FARM OPERATING LOAN OBLIGATIONS TO VETERAN FARMERS AS OF SEPT. 30, 2018**

	Number of loans	Amount
<b>Nebraska</b>	68	\$5,816,640
<b>Total (nationwide)</b>	788	\$42,822,845

## B. DIRECT FARM OPERATING LOANS

FSA’s operating loans help producers cover essential costs associated with a farming operation. These costs include: purchase of equipment, costs related to improving farm profitability, purchase of livestock and poultry, input expenses, improvements to buildings, refinancing of farm-related debt, conservation, and more.<sup>28</sup>

To qualify for a Direct Farm Operating Loan, applicants must participate in an eligible farm enterprise and meet general eligibility requirements. General eligibility requirements include, but are not limited to: the inability to obtain sufficient credit from a commercial lender, no previous debt forgiveness from FSA, and the ability to repay the loan.<sup>29</sup>

FSA considers a combination of education, on-the-job training, and farm experience for all applications. Each application is reviewed and evaluated on a case-by-case basis—the man-

28 “Farm Operating Loans.” U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/programs-and-services/farm-loan-programs/farm-operating-loans/index](https://fsa.usda.gov/programs-and-services/farm-loan-programs/farm-operating-loans/index). Accessed June 2019.

29 Ibid.

agement ability required is based on the type of operation and amount of the loan request.

The maximum loan amount for a Direct Farm Operating Loan is \$400,000.<sup>30</sup> Applicants do not need to provide a down payment. Loan repayment terms vary depending on the purpose of the loan.

As of Sept. 30, 2018, Direct Farm Operating Loan obligations to all farmers nationwide totaled approximately \$1.1 billion, with 19,921 loans. See Table 3.<sup>31</sup> About \$43 million of that total was to veteran farmers. See Table 4.<sup>32</sup>

30 Ibid.

31 “Farm Service Agency Farm Loan Programs - Obligations Report FY 2018.” U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/program-data/Obligations\\_FY18.pdf](https://fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/program-data/Obligations_FY18.pdf). Accessed June 2019.

32 “Farm Service Agency Farm Loan Programs - Obligations Report Veteran Data FY 2018.” U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/program-data/Veteran\\_Farmer\\_Lending\\_By\\_State\\_FY2018.pdf](https://fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Farm-Loan-Programs/pdfs/program-data/Veteran_Farmer_Lending_By_State_FY2018.pdf). Accessed June 2019.

### C. MICROLOANS

FSA also has a microloan program to assist all producers, including beginning. There are two types of microloans offered through FSA: Direct Farm Ownership and Direct Farm Operating.

Microloans are helpful to beginning and veteran farmers because their loan stipulations are simpler than other FSA loans. Many beginning and veteran farmers do not have established production or revenue history, and Direct Farm Operating Microloans do not require such information. In addition, FSA offers modified requirements for farm managerial experience to help individuals with limited or no farm management experience access credit.<sup>33</sup>

#### 1. DIRECT FARM OWNERSHIP MICROLOANS

According to FSA, Direct Farm Ownership Microloans can help producers, including veteran farmers, with making a down payment on a farm, constructing farm buildings, repairing farm buildings, and more. The maximum loan repayment term is 25 years for Direct Ownership Microloans.<sup>34</sup>

To qualify for a Direct Farm Ownership Microloan, a producer must have three years of farm management experience within 10 years of the application date. Two years of farm management experience can be substituted if the applicant has certain qualifying experiences.

#### 2. DIRECT FARM OPERATING MICROLOANS

Direct Farm Operating Microloans can be used to help cover expenses essential to an operation, such as family living expenses, inputs, marketing expenses, and tools.<sup>35</sup> The loan repayment terms vary based on the purpose of the loan.

To be eligible for a Direct Farm Operating Microloan, a producer must have some level of farm experience. Small business experience and agri-

33 “Microloan Programs.” U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/programs-and-services/farm-loan-programs/microloans/index](https://fsa.usda.gov/programs-and-services/farm-loan-programs/microloans/index). Accessed June 2019.

34 Ibid.

35 Ibid.

cultural internships are sufficient in meeting the farm management requirement. In addition, new farmers have the option of working with a mentor during the first production and marketing cycle.<sup>36</sup> These mentors are chosen by applicants and reviewed by FSA staff.

The maximum loan amount for microloans through FSA is \$50,000. FSA microloans can be utilized in conjunction with other loan programs.<sup>37</sup>

### D. GUARANTEED FARM LOAN PROGRAM

FSA’s Guaranteed Farm Loan Program helps producers obtain loans from third party lenders. The majority of these loans are conducted with commercial lenders, who benefit from offering guaranteed loans, because they are able to build additional loan business, and the loans are protected up to 95 percent against financial loss of principal and interest.<sup>38</sup> However, in specific cases, FSA will guarantee a loan between individuals, such as with a Land Contract Guarantee.

There are four different types of Guaranteed Farm Loans, as described in the three below sections:

1. Farm Ownership and Farm Operating loans
2. Land Contract Guarantee; and
3. Conservation.

#### 1. GUARANTEED FARM OWNERSHIP AND FARM OPERATING LOANS

Farm Ownership and Farm Operating Loans can be guaranteed up to \$1.776 million, and the cap is adjusted each fiscal year based on inflation. Farmer applicants work with a commercial lender for financing. The commercial lender works directly with FSA. Repayment for Farm Ownership Loans cannot exceed 40 years. Farm Operating Loans are generally repaid within seven years.<sup>39</sup>

36 Ibid.

37 Ibid.

38 “Guaranteed Farm Loans.” U.S. Department of Agriculture Farm Service Agency, [fsa.usda.gov/programs-and-services/farm-loan-programs/guaranteed-farm-loans/index](https://fsa.usda.gov/programs-and-services/farm-loan-programs/guaranteed-farm-loans/index). Accessed June 2019.

39 Ibid.

## 2. LAND CONTRACT GUARANTEE PROGRAM

The Land Contract Guarantee Program helps transfer farm land from one generation to the next. Unlike with guaranteed farm ownership and farm operating loans, FSA provides a guarantee to the owner of a farm who sells land to a beginning or socially-disadvantaged farmer through a land contract.<sup>40</sup> A land contract is an installment contract that transfers ownership after all payments under the contract have been completed. This guarantee reduces liability of financial risk and incentivizes established producers to sell to new farmers.

The Land Contract Guarantee Program can provide protection to a seller through two types of guarantees:

1. Prompt Payment Guarantee; and
2. Standard Guarantee.

These guarantees provide a level of protection for the seller, similar to guarantees provided to commercial lenders.

The Prompt Payment Guarantee provides a guaranteed income source to the seller by covering up to the amount of three annual installments and the cost of real estate taxes and insurance. If the buyer did not pay their annual installment, FSA would ensure the seller receives payment. The seller is responsible for obtaining an escrow agent to oversee the land contract while the guarantees are in place.

The Standard Guarantee provides a guarantee of 90 percent of the outstanding principal balance of the land contract.<sup>41</sup> This protects against loss in value of real estate, and affords the seller protection against loan default. The seller is responsible for obtaining a servicing agent to oversee the land contract while guarantees are in place.

To use the Land Contract Guarantee Program, buyers are required to operate the farm and acquire ownership by the completion of the contract. New farmer applicants must establish a

---

40 “Land Contract (LC) Guarantee Program.” U.S. Department of Agriculture Farm Service Agency, December 2013, [fsa.usda.gov/Internet/FSA\\_File/lc\\_guarantee\\_program.pdf](https://fsa.usda.gov/Internet/FSA_File/lc_guarantee_program.pdf). Accessed May 2019.

41 Ibid.

business plan to support the operation.<sup>42</sup> In addition, all applicants must meet eligibility requirements similar to those for the Guaranteed and Direct Farm Ownership Programs.

Guarantees under the Land Contract Guarantee Program can be used to finance the purchase of a farm up to \$500,000, with a guarantee period of up to 10 years. Applicants provide a minimum down payment of 5 percent of the purchase price. Contract payments must be paid over a minimum of 20 years.<sup>43</sup>

## 3. CONSERVATION LOAN PROGRAM

The Conservation Loan Program provides lending to promote conservation practices on farms, which helps protect natural resources. This program helps producers who desire to implement conservation practices focused on preventing soil erosion, improving water quality, and promoting sustainable and organic agriculture on their land.<sup>44</sup> This program is helpful to those producers who may not have the cash available to do so without assistance.

To be eligible for the Conservation Loan Program, applicants must work with their local USDA Natural Resources Conservation Service (NRCS) staff to develop a conservation plan.<sup>45</sup>

The maximum loan limit for conservation loans through FSA is \$1.776 million.<sup>46</sup> Loan terms vary, but do not exceed 30 years.

## VI. CONSERVATION PROGRAMS WITH TARGETED ASSISTANCE FOR VETERAN FARMERS

NRCS also provides assistance to veteran farmers. Preference is given to veteran farmers who apply for financial assistance to support conservation on their farming operations through

---

42 Ibid.

43 Ibid.

44 “Conservation Loan Program.” U.S. Department of Agriculture Farm Service Agency, November 2018, [fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/2018/Conservation\\_Loan\\_Program\\_FactSheet\\_November\\_2018.pdf](https://fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/2018/Conservation_Loan_Program_FactSheet_November_2018.pdf). Accessed May 2019.

45 Ibid.

46 Ibid.



the Conservation Stewardship Program (CSP) and the Environmental Quality Incentives Program (EQIP). These working lands conservation programs are voluntary, and they allow producers to address natural resource concerns on their land, while maintaining agricultural production.

### A. CONSERVATION STEWARDSHIP PROGRAM (CSP)

CSP rewards producers who meet high standards of conservation management, and provides a financial incentive to implement additional practices that protect and preserve resources on their land. The program is widely utilized by farmers and ranchers—more than 70 million acres of productive agricultural and forest land are enrolled across the nation.<sup>47</sup> CSP is the most comprehensive working lands conservation program, as it requires producers to enroll all of their acres for a period of five years. There is specific set-aside funding for beginning and socially-disadvantaged producers, with preference for veteran farmers, which increases their chances of securing a CSP contract.

### B. ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP)

EQIP provides a financial incentive and much-needed technical assistance to producers who address natural resource concerns through the adoption of conservation practices. Contracts may last up to 10 years, but many are short-term. EQIP funding is available to farmers and ranchers through a general pool and through special initiatives. Special initiatives include, but are not limited to, organic agricultural production and seasonal high tunnels. EQIP may provide up to 75 percent of the costs for approved conservation practices.<sup>48</sup>

Beginning, limited-resource, socially-disadvantaged, and veteran farmers and ranchers are eligible to receive up to 90 percent cost-share assistance, as well as advance payment for approved conservation practices.

## VII. CHANGES RELATED TO BEGINNING AND VETERAN FARMERS IN THE 2018 FARM BILL

FSA Farm Loan Programs and conservation programs are important, but access to credit and conservation are not the only factors improving the likelihood of success for the next generation of producers. There are additional programs and provisions that help beginning and veteran farmers—the 2018 farm bill expanded existing policy to help support veterans transitioning into agriculture. Most of the changes reflected in the farm bill are targeted to improve outreach to veteran farmers and expand veteran farmer eligibility for various programs.

A new farm bill program, the Farming Opportunities Training and Outreach Program, specifically targets assistance and/or resources for veteran farmers. This program consolidates the Beginning Farmer and Rancher Development Program and the Outreach and Assistance for Socially-Disadvantaged and Veteran Farmers and Ranchers Program (Section 2501), while maintaining the integrity of each program. The farm bill provided Farming Opportunities Training and Outreach Program with \$435 million in mandatory funding to be used over the next decade, which means the Beginning Farmer and Rancher Development Program and the Outreach and Assistance for Socially-Disadvantaged and Veteran Farmers and Ranchers Program now have more secure funding. Farming Opportunities Training and Outreach Program awards competitive grants to institutions that provide access to critical resources, education, outreach, and technical assistance for beginning, minority, and veteran farmers and ranchers.

47 “Conservation Stewardship Program.” U.S. Department of Agriculture Natural Resources Conservation Service, [nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/csp/](https://nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/csp/). Accessed July 2019.

48 United States, Congress. “Agricultural Improvement Act of 2018.” 115th Cong., Public Law 115-334. December 2018. [congress.gov/115/plaws/publ334/PLAW-115publ334.pdf](https://www.congress.gov/115/plaws/publ334/PLAW-115publ334.pdf). Accessed May 2019.

## Preparing for your loan proposal: the basics

### Think about your goals

If you are a beginning or veteran farmer, preparation prior to your first meeting with FSA staff is important. Think about what you want to do.

- What are your goals?
- How will you accomplish them, and what is your timeline?
- Where will you market your goods?
- What tools/resources/support will you need to meet your goals?

These are just a few examples of questions that any beginning or veteran farmer should consider.

### Develop a business plan

A prudent beginning or veteran farmer must develop a business plan. Consider input costs, labor, and other expenses. Assess your risks—and outline steps to mitigate those risks. These actions help loan officers understand how you intend to repay your loan in a timely manner. A few reputable business planning resources include: AgPlan,<sup>49</sup> National Center for Appropriate Technology ATTRA,<sup>50</sup> and the Small Business Administration.<sup>51</sup>

### Stay organized

Calculate your expenses (both farm and at home). Show proof of income and any assets you might have. Retain copies of recent tax returns. If you are leasing land or equipment, provide copies of written leases. Keep these records in a designated folder for quick reference.

### Check your credit report

A good practice is to review your credit report and ensure it is accurate before meeting with FSA to apply for a loan. If you are unsure where to find this information, you can request a free copy of your credit report from Equifax, Experian, and TransUnion once every 12 months.

### Identify yourself as a veteran

Applicants are responsible for notifying FSA of their veteran status. On each FSA form, there is an opportunity to provide veteran status. Applicants must check this box to be considered for any preference on loan applications through FSA. Furthermore, all FSA direct loan applications require the same basic forms. FSA county Farm Loan Program staff work with the applicant to determine what additional forms may be required.

These simple, proactive measures can help reduce stress and aid in the application process with FSA.

49 “AgPlan.” Center for Farm Financial Management, Regents of the University of Minnesota, [agplan.umn.edu/](http://agplan.umn.edu/). Accessed June 2019.

50 “Beginning Farmer Tutorials.” National Center for Appropriate Technology ATTRA, [attra.ncat.org/oasdf/](http://attra.ncat.org/oasdf/). Accessed June 2019.

51 “Write Your Business Plan.” U.S. Small Business Administration, [sba.gov/business-guide/plan-your-business/write-your-business-plan](http://sba.gov/business-guide/plan-your-business/write-your-business-plan). Accessed June 2019.

In addition, the 2018 farm bill provided a variety of new changes that impact producers and the way they farm. Not all of these changes will go into effect immediately, so to learn more check with your local USDA office or crop insurance agent. The following improvements help reduce barriers for beginning and veteran farmers and ranchers.

Since USDA defines a veteran farmer as an individual with military service and less than 10 years of experience farming, veterans may also benefit from changes that are targeted for beginning farmers.

**A. COMMODITY PROGRAMS**

- Payments for the Agriculture Risk Coverage and Price Loss Coverage programs are made based on historical planted acres, also known as base acres. Producers with 10 or fewer base acres on a farm are ineligible for these payments. An exemption for the base acre provision allows socially-disadvantaged, limited-resource, and beginning farmers and ranchers with fewer than 10 acres to utilize Agriculture Risk Coverage and Price Loss Coverage on eligible commodities, such as corn, soybeans, and wheat.<sup>52</sup> To learn more, visit [fsa.usda.gov/programs-and-services/arcplc\\_program/](http://fsa.usda.gov/programs-and-services/arcplc_program/).

**B. CONSERVATION PROGRAMS**

- Limited-resource, socially-disadvantaged, beginning, and veteran farmers and ranchers are eligible for an advance payment of at least 50 percent of all costs related to purchasing materials or contracting through NRCS EQIP.<sup>53</sup> To learn more about EQIP, visit your local NRCS office, or check out [nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/eqip/](http://nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/eqip/).

- The 2018 farm bill created a new Conservation Reserve Program pilot program, called the Soil Health and Income Protection Pilot Program. This program provides farmers an opportunity to take their poorest acres out of production to improve conservation of natural resources. Participating farmers receive annual rental payments for three to five years. Beginning, socially-disadvantaged, and veteran farmers and ranchers are eligible for a 50 percent cost-share, and annual rental rate equal to 75 percent of the county average rental rate, when they participate in the Soil Health and Income Protection Pilot Program.<sup>54</sup>
- A change to the Emergency Conservation Program, administered by FSA, extended a provision that allows beginning and socially-disadvantaged farmers and ranchers to receive assistance for 90 percent of farmland rehabilitation costs derived from natural disasters.<sup>55</sup> For more information, visit [fsa.usda.gov/programs-and-services/conservation-programs/emergency-conservation/index](http://fsa.usda.gov/programs-and-services/conservation-programs/emergency-conservation/index).

**C. CREDIT**

- Prior to the passage of the 2018 farm bill, FSA required that beginning farmers and ranchers participate in the business operations of a farm for a minimum of three years to be eligible for a farm loan. The three-year experience requirement for qualified beginning farmers and ranchers can now be reduced if the farmer has certain educational, management, or mentor-based experience, successfully repaid an FSA Youth Loan, or was honorably discharged from the Armed Services.<sup>56</sup>
- The same FSA three-year experience requirement can be waived if the farmer has at least one year farm labor experience with substantial management responsibilities, and has a relationship with a member of the Service Corps of Retired Executives.<sup>57</sup>

52 Ibid.

53 Ibid.

54 Ibid.

55 Ibid.

56 Ibid.

57 Ibid.

- Beginning and socially-disadvantaged farmers and ranchers are eligible for a 95 percent guarantee of the principal, or the amount borrowed, on USDA Guaranteed Farm Loans.<sup>58</sup>
- Producers can now benefit from a \$50,000 Farm Ownership Microloan and a \$50,000 Operating Microloan at the same time.<sup>59</sup> The previous requirement only allowed for a combined amount of \$50,000. For more information on FSA microloans, reference: [fsa.usda.gov/programs-and-services/farm-loan-programs/microloans/index](https://fsa.usda.gov/programs-and-services/farm-loan-programs/microloans/index).

#### D. SPECIALTY CROPS AND HORTICULTURE

- Applications from beginning, socially-disadvantaged, and veteran farmers and ranchers are given priority in the Value-Added Producer Grants Program, which is part of the Local Agriculture Market Program.<sup>60</sup> Value-Added Producer Grants Program is administered by the Rural Business Cooperative Service. This program offers grants to farmers and ranchers who are developing farm- and food-related businesses. Farmers may use these grants to develop business and marketing plans and feasibility studies or to acquire working capital to operate a value-added business venture or alliance. To learn more, visit [rd.usda.gov/programs-services/value-added-producer-grants](https://rd.usda.gov/programs-services/value-added-producer-grants).

#### E. CROP INSURANCE

- The Risk Management Agency’s Whole Farm Revenue Insurance Protection product has changed the definition of a beginning farmer or rancher. The new provision defines a beginning farmer or rancher as those who have operated or managed a farming operation for less than 10 years.<sup>61</sup> This helps a greater number of beginning producers utilize a premium discount for Whole Farm Revenue Insurance Protection. For more information,

check out the Center for Rural Affairs’ fact sheet focused on this program: [cfra.org/publications/factsheets/WFRP](https://cfra.org/publications/factsheets/WFRP).

#### F. MISCELLANEOUS

- Five percent of funds allocated through the Beginning Farmer and Rancher Development Program must support programs and services targeted to assist veteran farmers.<sup>62</sup> This program is administered by the National Institute of Food and Agriculture. For more information, visit: [nifa.usda.gov/funding-opportunity/beginning-farmer-and-rancher-development-program-bfrdp](https://nifa.usda.gov/funding-opportunity/beginning-farmer-and-rancher-development-program-bfrdp).
- Outreach and Assistance for Socially-Disadvantaged and Veteran Farmers and Ranchers Program, administered by the USDA Office of Partnerships and Public Engagement, requires the Secretary of Agriculture to prioritize grants to organizations that help socially-disadvantaged producers or veteran farmers.<sup>63</sup> More information can be found at [outreach.usda.gov/grants/](https://outreach.usda.gov/grants/).
- The definition of veteran farmer or rancher is expanded to include veterans who first obtained veteran status during the most recent 10-year period.<sup>64</sup>
- Veteran farmers are eligible for increased coverage and reduced premium fees for the Noninsured Crop Disaster Assistance Program.<sup>65</sup> This program, administered by FSA, provides financial assistance to producers of noninsured crops who experience decreased yields, crop loss, or prevented planting due to natural disasters. Eligible causes of loss include, but are not limited to: drought, excessive moisture, hail, freeze, and plant disease related to adverse weather conditions. To learn more, visit: [fsa.usda.gov/programs-and-services/disaster-assistance-program/noninsured-crop-disaster-assistance/index](https://fsa.usda.gov/programs-and-services/disaster-assistance-program/noninsured-crop-disaster-assistance/index).

---

58 Ibid.  
 59 Ibid.  
 60 Ibid.  
 61 Ibid.

---

62 Ibid.  
 63 Ibid.  
 64 Ibid.  
 65 Ibid.

- Veteran farmers are eligible for higher reimbursement rates under two FSA administered programs: the Tree Assistance Program and Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish.<sup>66</sup>

The Tree Assistance Program is a permanent disaster program that provides financial assistance to qualifying producers who replant or rehabilitate trees, bushes, and vines damaged by adverse weather. For more information, visit [fsa.usda.gov/programs-and-services/disaster-assistance-program/tree-assistance-program/index](https://fsa.usda.gov/programs-and-services/disaster-assistance-program/tree-assistance-program/index).

Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish helps producers who have experienced losses due to adverse weather and/or disease. This program is designed to provide financial support for losses that are not covered by other USDA disaster programs. To learn more, visit [fsa.usda.gov/programs-and-services/disaster-assistance-program/emergency-assist-for-livestock-honey-bees-fish/index](https://fsa.usda.gov/programs-and-services/disaster-assistance-program/emergency-assist-for-livestock-honey-bees-fish/index).

- Veterans are now eligible for FSA Down Payment Loans.

## VIII. CONCLUSION

Access to credit directly impacts beginning and veteran farmers. The current agricultural economy, which includes high land values and exorbitant input costs along with increased risk from weather volatility and trade, discourages the next generation of producers. Without financial assistance, many producers would be unable to start and maintain farming operations.

Awareness of USDA farm programs and key provisions, particularly with regard to lending, is important for veterans transitioning from the military to a second career in agriculture. Veterans must know what programs are available, and how to utilize them to fit the needs of their farming operations. A combination of financial support, risk management, and access to training and resources provides comprehensive support for beginning and veteran farmers.

The 2018 farm bill has been in effect since December 2018, and some producers are already benefiting from the changes related to beginning and veteran farmers. The impact of these programmatic changes is to be determined, but we recognize these changes reflect positive progress toward the removal of barriers for the next generation of producers.

## ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities. This institution is an equal opportunity provider and employer.

---

66 Ibid.

