



FSA Beginning and Socially Disadvantaged Farmer Loans

Increased Overall Funding -- Congress responded to the economic recession and financial crisis in farm lending by substantially increasing funding for Farm Service Agency (FSA) farm operating and ownership loans through emergency funding in the economic recovery and supplemental appropriations bills for 2009. Funding was also increased for 2010 in the regular FY 2010 agricultural appropriations bill.

Direct farm ownership (real estate) loans increased from \$222 million in 2008 to \$582 million in 2009 and \$650 million in 2010. Direct operating loans increased from \$575 million in 2008 to \$1,149 million in 2009 and \$1,000 million in 2010. Even with the increases, FSA may well run out of funding in 2010 before the end of the fiscal year. However, for 2011, the Obama Administration has requested modest cuts, to \$475 million and \$900 million respectively. In light of ongoing shortages, we are advocating for at least level funding.

Down Payment Loans -- Despite the economic downturn, Down Payment Loans for first-time land acquisition by beginning and minority farmers took a big upturn since passage of the 2008 Farm Bill. The farm bill lowered the interest rate and the new farmer down payment amount and also increased the value of land which could be financed, all of which combined to send the loan program skyrocketing. **The program has financed 1,100 beginning farmers with a total of \$147 million in real estate loans in 2008 and 2009**, compared to the nearly 3,000 beginning farmers assisted with \$131 million in loans in the previous 14 years of the program's existence combined.

The program continues to perform best in states that have State first time farmer loan and tax programs. For instance, the top three states – **Iowa, Illinois, and Kansas** – accounted for nearly 50 percent of the total number of loans, and were followed by **Ohio, Missouri, Nebraska, Minnesota, North Dakota, Wisconsin, and Indiana**, of which only Ohio does not have a state program. Those top ten states accounted for 83 percent of total down payment loan borrowers these past two years. Expanding the program in other states and regions needs increased attention.

Total Loans to Beginning and Minority Farmers -- In FY 2009, the FSA made or guaranteed about \$4.5 billion in loans to 34,210 farmers, including over 20,000 farmers receiving direct operating loans.

The farm bill targets a percentage of loan funds to beginning and to minority farmers. In 2009, about **14,500 beginning farmers received loans totaling \$1.5 billion. Nearly half of all direct operating loans and over 70 percent of direct ownership loans went to beginning farmers**, just shy of the farm bill targets of 50 and 75 percent, respectively. While direct loans were close to the target rates, guaranteed loans were off by nearly half the 40 percent target rate.

Socially disadvantaged farmers and ranchers, including minority and women farmers, received over 5,600 loans in FY 2009, including over 4,400 direct operating loans. In dollars, these loans equaled 14 and 15 percent of total direct operating and ownership loans, and 7 and 9 percent of guaranteed operating and ownership loans, respectively.

The National Sustainable Agriculture Coalition represents farm, food, rural, and conservation organizations from across the country that advocate for public policies supporting the long-term economic and environmental sustainability of agriculture, natural resources, and communities. NSAC has advocated increasing farming opportunities, including credit funding and beginning and socially disadvantaged farmer credit programs, since the late 1980s.