National Sustainable Agriculture Coalition

November 7, 2014

Carrie L. Novak
Senior Loan Officer
LMD DAFLP FSA
U.S. Department of Agriculture
1400 Independence Avenue SW, Stop 0522
Washington, DC 20250-0522

Re: NSAC Comments on FSA Notice on Farm Loan Pilots

Submitted via www.Regulations.gov

Dear Ms. Novak:

The National Sustainable Agriculture Coalition (NSAC) welcomes the opportunity to provide input to the Farm Service Agency (FSA) as the agency moves forward in developing pilot agricultural credit programs, as authorized under the new farm bill.

NSAC is a national alliance of over 40 family farm, food, rural, and conservation organizations that together take common positions on federal agriculture and food policies to advance sustainable agriculture. Our work focuses on federal policies that contribute to creating a more sustainable food and farm system – including federal credit policies and programs that seek to expand farming opportunities for beginning, underserved, small, and diversified family farmers. Several of our member organizations work directly with these farming communities across the country and are the first responders in providing outreach and training about USDA resources.

In addition to the challenge of securing affordable land to farm or ranch, access to financing is one of the most significance issues that new, aspiring and established farmers alike face when building or expanding their farm businesses. NSAC is therefore supportive of the increased flexibility and new authority granted to FSA to establish several pilot credit programs in order to improve the efficiency and effectiveness of federal farm loan programs and expand access to credit to small, beginning, socially disadvantaged, veteran and local food producers.

In this light, NSAC and our represented member organizations make the following recommendations for your consideration as the agency develops potential pilot credit programs.

Recommendations

1. Establish a pilot loan product that combines the resources of FSA's Farm Storage Facility Loans and Direct Operating Loans to meet all of a farmer's post-harvesting needs.

Through last year's changes to the Farm Storage Facility Loan (FSFL) program, FSA can now make loans for many – but not all – aspects of farm packing and storage facilities that are relevant to local and regional food farmers. We therefore recommend that FSA's Loan Making Division use the Pilot Loan Program authority to run a two or three year pilot to test the idea of a combined loan that could cover all of a farmer's post harvest financing needs. This would include all aspects of packing and storage, whether or not the equipment involved is fixed or moveable, and including transportation in cases where the farmer is responsible for transporting the produce (or other farm goods) to market, including refrigerated vehicles where necessary.

This combined loan package would be broader than the typical FSA direct operating loan and it would also cover pieces of the puzzle that FSFL cannot currently cover. Additionally, it would cover both rural and urban farmers, and specific outreach would be required to inform these producers of this new pilot loan product (see recommendation #5).

An aim of the pilot could be to either ultimately expand FSFL so that it can cover all aspects of a farmer's post harvest financing needs, or perhaps to create a whole new permanent loan option for this type of farmer within FSA's direct operating loan program. The pilot would include the customary monitoring and evaluation that is standard for all other FSA loan programs.

Finally, the pilot could include external partners, such as community-based organizations or other groups working with local food producers that may be able to benefit from this program, to help with outreach and/or evaluation, or potentially even with loan preparation.

2. Create a "New Farmer Local Food Loan" that leverages the lending expertise of Community Development Financial Institutions with FSA's financial resources through a participation loan.

There is increased interest from Community Development Financial Institutions (CDFIs) in expanding their lending portfolios into agricultural loans, specifically those that help to create new farmers (both urban and rural) and support the expansion of local and regional food systems in the communities they work in. With recent administrative changes, FSA has begun to partner with several CDFIs through its guaranteed loan program in order to expand financing opportunities for local food entrepreneurs, urban farmers, and farmers of color across the country.

With FSA's new pilot loan authority, FSA could establish a pilot that would create a new loan product though FSA's participation loan program that would be targeted to beginning farmers interested in producing for local and regional markets.

This New Farmer Local Food Loan would be financed partially by FSA under the standard loan terms associated with FSA participation loans, but with special low (e.g., 1 percent) interest rates, and partially by a CDFI in that state or region that has expertise in providing financing to local food entrepreneurs or is interested in expanding their expertise in this area.

Under this new pilot, FSA would be able to leverage the resources and expertise of CDFIs in order to reach new and aspiring farmers who may not be familiar with FSA resources, and also utilize the expertise of CDFI loan officers who have expertise in lending to local food producers.

3. Establish at least one pilot program that develops innovative partnerships between FSA and community-based organizations in order to increase familiarity with and cultivate a pipeline for new and underserved farmers into FSA loan programs.

Building trust within and familiarity with a community is absolutely essential in ensuring that appropriate services are provided in a way that meets the needs of that community. Community-based organizations (CBOs) are core to NSAC's membership, and many of these organizations have developed strong ties and trust with the farmers in their states and regions, and have been instrumental in educating farmers about federal resources and programs.

And while some local FSA offices have undoubtedly developed meaningful relationships with CBOs that work with farmers in their region, we believe that FSA should use this new pilot authority to establish a specific model for how FSA can maximize formal partnerships with CBOs in order to ensure both that FSA loan programs reflect the needs of the farmers within these communities, and also to ensure that the farmers they serve are fully utilizing FSA credit programs.

FSA should develop a formal partnership with CBOs who work specifically with veteran, urban, minority, or beginning farmers in order to:

- Ensure that these constituents understand what FSA resources are available to them and what will be required of them in order to apply for an FSA loan;

- Ensure that local FSA loan officers understand their local CBO resources and also the needs of the farmers they serve and how best to reach them; and

- Ultimately develop both a pipeline of new FSA customers that is built on a lasting and trusting relationship between FSA and the CBOs and farmers in their regions.

For example, local FSA offices in the pilot area(s) could identify a resource in their community that serves beginning farmers to further strengthen the pipeline of new farmers looking to start a career in agriculture. This could include incubator farms, new farmer training programs run by CBOs, and other organizations that recruit and train new farmers.

These partnerships could include cooperative agreements where the CBO provides technical assistance in helping the farmer come up with a solid business plan (or more long-term business plan for growing their business), providing the borrower training that is required for FSA loans, and inviting FSA loan officers to community events and training workshops to build the relationship and help FSA become more familiar with the credit needs of the community they are serving.

Another approach might be to enter into a Memorandum of Understanding with a CBO that can certify or document that a farmer is "credit-worthy" and has gone though sufficient business and financial training to qualify for an FSA loan and that farmer would be fast-tracked for prompt loan approval.

4. Establish at least one pilot program that employs a variety of methods to decrease processing time for real estate loans.

A common complaint often heard from farmers about FSA loans is the length of time that it takes to actually receive the loan. This is especially true for real estate loans, in which a farmer often has a very short window of time in order to secure financing once they locate a parcel of farmland that is up for auction or otherwise listed for sale.

We understand that the ability of FSA to provide financing to farmers is inherently tied to the very unpredictable nature of the Congressional budget and appropriations process, and that some of the factors that cause such a delay in loan making are out of the control of FSA. However, given the serious consequences and stress that this delay can have on a farmer, especially new farmers trying to buy land for the first time, we would urge FSA to establish a pilot program to employ a variety of methods in order to decrease the application, processing, and loan approval time, and to the extent possible, develop additional alternative financing structures in the event of a delay in the annual appropriations process.

Increasing staffing resources and utilizing the expertise of CBOs and farmer training programs may decrease the time needed to process a loan application if the loan applicant has a stronger, more complete loan application from the onset. There may be other ways to reduce the time to process a loan that may include an online process for submitting an application. Also, wherever possible, we encourage FSA to look at ways to streamline the paperwork that is required of farmers and to simplify this process as much as possible, perhaps through an online interface.

5. Across all FSA loan programs (including any pilot projects developed) ensure that state and local FSA offices include innovative methods and new approaches to conducting targeted outreach to the specific populations of farmers the pilot program is designed to serve.

Farming is a risky business and has become increasingly difficult to enter over the past few decades. However, for the growing number of culturally diverse, women, veteran, and urban farmers in this country, starting and managing a successful farming operation is fraught with even greater challenges.

We therefore urge FSA to include in any pilot program a formal, targeted, and innovative outreach plan in order to ensure FSA is successful in reaching the targeted population that the new loan product is intended to serve.

Specifically, in developing any new pilot loan programs, we urge FSA to:

- Identify regions or states that have large populations of minority, tribal, women, veteran, or urban farmers (using data from the 2012 Census of Agriculture) but disproportionately low usage of FSA loan programs in order to determine the most appropriate geographic location to test a new pilot loan program;

- Ensure that any pilot program developed includes innovative and proactive outreach strategies to target the new loan product to the specific population in that region, including partnering with community-based organizations to the greatest extent practicable (see recommendation #3); and

- Establish benchmarks for increasing program usage by each targeted population and work with state and county offices that are implementing the pilot program to evaluate progress on a regular basis and modify outreach efforts accordingly.

Any pilot program that is established should be developed with the specific goal of expanding access to FSA loans that fill an unmet credit need for a specific designated population – including socially disadvantaged, urban, and veteran farmers.

In closing, we are supportive of FSA's efforts to increase the efficiency and effectiveness of existing FSA loan programs, and believe that the agency can use the new flexibility provided in the farm bill to:

- Coordinate FSA credit resources to expand financing options to support all of a farmer's post-harvesting needs;

- Establish a New Farmer Local Food Loan that leverages the lending resources of FSA with the expertise of Community-Development Financial Institutions;

- Leverage formal partnerships with community-based organizations who have expertise and access to a new pipeline of potential FSA customers;

- Find ways to decrease the processing time and streamline the application process as much as possible; and

- Identify successful models for deploying innovative outreach methods to reach farmers who have historically underutilized FSA credit programs,

It is our hope that these distinct pilot programs could identify successful models and news ways of doing business for FSA that could then be replicated nationwide and increase access to credit to farmers across the country.

We thank you for serious consideration of our recommendations, and would welcome any additional feedback we can provide.

Sincerely,

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National Sustainable Agriculture Coalition

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