

# FARM SERVICE AGENCY

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ASSISTANCE FOR BEGINNING FARMERS

DECEMBER 2016



# USDA Tools to Assist New Farmers

- New farmer Website: <https://newfarmers.usda.gov/>
  - Business planning
  - Where to find technical assistance
  - Interactive tools
- Programs to Assist New Farmers
  - Conservation Reserve Program – Transition Incentives Program
  - Farm Stored Facility Loans
  - Noninsured Crop Disaster Assistance Program (NAP)
  - Crop Insurance
  - Farm Loan Programs

## **CRP – Transition Incentives Program**

- Allows CRP contract holders to receive two payments after expiration of the contract if they sell or rent the subject land to a beginning farmer.

## **Farm Storage Facility Loans**

- Low-interest financing for producers to build, buy or upgrade storage and handling facilities, including bins, cold storage, trucks, bulk tanks, etc.

## **Noninsured Crop Disaster Assistance Program (NAP)**

- Risk protection for crops not eligible for crop insurance coverage. The service fee and 50% of the premium cost is waived for beginning farmers.

## **Crop Insurance**

- Fee waivers, additional 10% premium subsidy, and more flexibility in setting yield levels for beginning farmers.



Why should Farm Service Agency (FSA) be your lender?

We provide opportunities!



# Farm Service Agency delivers...

- ✓ loans
- ✓ loan guarantees
- ✓ business planning



# Iowa Farm Loan Programs

- \$628 million in direct loans
- \$465 million in direct loans to beginning farmers
- \$395 million increase since 2006
- \$796 million in guaranteed loans
- \$405 million in loans and loan guarantees funded last fiscal year

# What is a direct loan?

- Eligible farmer obtains a loan directly from the government
- Rates and terms based on FSA guidelines
- Payments are made to FSA



# What is a Guaranteed Loan?

- Eligible farmer obtains a loan from a commercial credit source, such as a bank, credit union, or Farm Credit Services
- FSA provides a guarantee as additional incentive for the lender to make the loan
- Rates and terms are negotiated between the lender and the farmer
- Payments are to the lender

# Types of Loans

- **Operating Loans**

- Used for non-real estate purposes
  - Machinery
  - Livestock
  - Annual operating needs

- **Farm Ownership Loans**

- Used to purchase or improve real estate

- **Microloans**

- Smaller loans requiring less application information

# How does FSA define a beginning farmer for operating loan purposes?

- Active or new farmer
- Has operated a farm or ranch for not more than 10 years



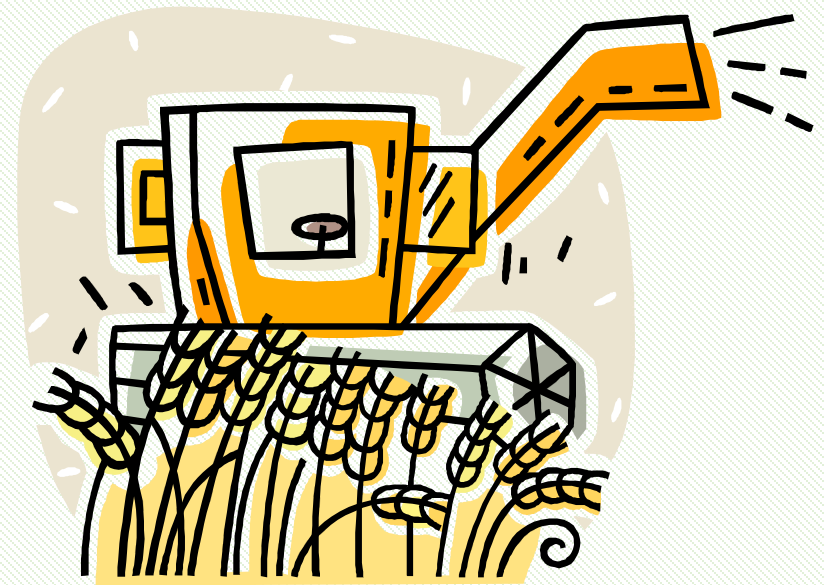
# FSA Operating Loan Program



- Interest rate – currently 2.125% (Dec. 2016 rate)
- Repayment terms
  - typically 1-7 years
- Loan limit - \$300,000

# Operating Loans Uses

- Crop inputs
- Machinery purchases
- Livestock
- Environmental
- Debt refinance
- Other non-real estate farm needs



# Operating Loan Example

Proposal: Purchase 50 breeding cows for \$100,000

- FSA financing:
  - 7 year repayment
  - 2.125% interest rate
  - Payment = \$15,525 per year, or \$310 per cow

# Microloan Program

- Streamlined operating loan program
- Simpler application process
- More flexibility
- Designed for beginning and small farmers with traditional, niche or specialty crop operations



# Micro Operating Loan

- Interest rate – currently 2.125%  
(Dec. 2016 rate)
- Repayment terms – typically 1-7 years
- Loan funds can be used for term or annual operating needs
- Loans up to \$50,000



How does FSA define a beginning farmer for farm ownership loan purposes?

- Active or new farmer with at least 3 years experience managing a farm
- Has operated a farm or ranch for not more than 10 years
- Does not own property which exceeds 30% of the averaged-sized farm in the county where the farm is being purchased

# Farm Ownership Loan Programs

- Down Payment
  - Available for beginning, minority, and female farmers only
- Participation Loan
- Regular Farm Ownership
- Microloan



# Down Payment Farm Ownership Loan Program

- 5% down payment (minimum)
- FSA loan - 45% of purchase price up to a \$300,000 maximum loan amount
- Balance of the financing must come from another source (bank, Farm Credit Services, credit union, contract, etc.)
- FSA interest rate – 1.5%
- FSA repayment – not more than 20 years
- Non-FSA lender's repayment – at least 30 years

# Down Payment Loan Example

Proposal: Purchase 80 acres for \$400,000

- Minimum down-payment - \$20,000
- FSA financing – \$180,000 (45% of \$400,000)
- Other financing for the balance\* - \$200,000
- FSA payment - \$10,484 (20 years, 1.5% interest)
- Payment for other financing - \$13,010
  - 30-year repayment, 5% interest
- Annual payment - \$23,494 (\$294 per acre)

\* Iowa Finance Authority's Beginning Farmer Loan Program can be used in conjunction with other financing.

# Participation Farm Ownership Loan Program

- FSA's loan is limited to 50% of the financing
- Balance of the financing must come from another source (bank, Farm Credit Services, credit union, contract, etc.)
- Interest rate – currently 2.5% (Dec. 2016)
- Repayment terms - up to 40 years
- FSA loan maximum - \$300,000 (no maximum purchase price)
- FSA can take a second lien on the property being purchased

# Regular Farm Ownership Loan Program

- FSA can provide up to 100% of the financing
- Interest rate – currently 3.5% (Dec. 2016)
- Repayment terms - up to 40 years
- FSA loan maximum - \$300,000 (no maximum purchase price)
- FSA can take a second lien on the property being purchased

# Micro Farm Ownership

- Interest rate – 1.5% to 3.25% depending on program used – down payment, participation, or regular
- Repayment terms – up to 25 years
- Loan funds can be used to purchase or improve real estate
- Loans up to \$50,000

# Guaranteed Contract Program

- FSA can guarantee a seller financed sale (contract) of real estate to a beginning, minority or female farmer
- Seller can select a 90% guarantee of principal or a prompt payment guarantee
- The guarantee is effective for 10 years
- Maximum contract amount is \$500,000
- Maximum appraised value of the property being purchased is \$500,000



# Guaranteed Loan Programs

- Financing through a traditional non-government source (bank, Farm Credit Services, etc.)
- FSA backing – up to 90%
- Annual operating lines
- Term operating loans
- Farm ownership loans



# Guaranteed Loan – Benefits

- Higher maximum loan amount
  - Up to \$1.399 million in combined loans
- Increased flexibility for the lender
- Secondary market options to allow the lender additional pricing and repayment options



Where can I get additional information or submit an application?

- Find your local FSA County Office:

<http://offices.sc.egov.usda.gov/locator/app?state=ia&agency=fsa>

# FSA Loan Information On The Web:

FSA Web page: [fsa.usda.gov](http://fsa.usda.gov)

Direct link to FSA's Farm Loan Programs:

<http://www.fsa.usda.gov/dafl>

➤ “Your Guide to FSA Loan Programs” is a good place to start.

USDA New Farmers Website: <https://newfarmers.usda.gov/>

Find your local FSA office:

<http://offices.sc.egov.usda.gov/locator/app?state=ia&agency=fsa>

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*Iowa Farm Bureau's Margin Management Webinar Series presents:*

## **Financial Assistance for Beginning Farmers**

**Please fill out a brief evaluation by clicking:**

**<http://tinyurl.com/farmeval>**

*Recordings of this webinar and materials will be available for Farm Bureau members at [www.iowafarmbureau.com](http://www.iowafarmbureau.com)*

*Direct Link: <http://tinyurl.com/startfarm16>*

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