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September 26, 2005

via FAX and via US MAIL

The Honorable Mike Johanns
Secretary of Agriculture
U.S. Department of Agriculture
Washington, D.C. 20250

RE: USDA Advisory Committee on Beginning Farmers and Ranchers

Dear Secretary Johanns:

On behalf of the USDA Advisory Committee on Beginning Farmers and Ranchers, I am pleased to forward to you this letter outlining the Committee's recommendations from our recent meeting in Omaha, Nebraska on August 8-9, 2005.

The Agricultural Credit Improvement Act of 1992 required the Secretary of Agriculture to establish the Committee. The Committee was established in November 1998 and has met on six occasions, providing a list of recommendations after each meeting. The purpose of the Committee is to provide advice to the Secretary on: (1) the development and administration of coordinated assistance to beginning farmers and ranchers between Federal and State beginning farmer programs (Federal/State Beginning Farmer Partnership); (2) methods to maximize the number of farming and ranching opportunities created through the partnership and ways to encourage States to participate; and (3) other methods of creating new farming and ranching opportunities. Previous recommendations have addressed the Federal/State Partnership and USDA has signed Memorandums of Understanding with nearly every active State Beginning Farmer Program.

Let me add on a personal note that we have on the Advisory Committee a very talented and diverse committee of farmers, ranchers, bankers, extension educators, state and federal agency staff, and representatives of non-profits who work directly with beginning farmers and ranchers. They give generously of their time and talents and take their job of advising you seriously. The Committee is excited by the prospect of strengthening this advisory role during your tenure, and the members took special note of the listening sessions you are holding around the country in anticipation of the next farm bill. We thank you for emphasizing your concern about the next generation of farmers and ranchers and including this important subject prominently as part of these sessions.

To foster communication and to better fulfill our mission to serve as an advisory committee to you, we would like to request a meeting with you and your staff. A small delegation from the Advisory Committee on Beginning Farmers and Ranchers is prepared to come to Washington, D.C. to discuss with you some of the recommendations established in its recent meeting and recorded in this letter. In particular, we would like to share our thoughts on: raising the Departmental focus on beginning farmers and rancher issues (recommendation #1), championing a farm entry and farming opportunities initiative in the Administration's farm bill proposal (recommendation #2), budget requests for two very critical programs (recommendation #6 & #7), conservation program issues (recommendation #10). We hope your schedule will allow for such a meeting in the near future.

The Committee's recommendations follow.

General Recommendations

1. Last year, the Committee recommended that the Secretary "develop and implement a mission focus to heighten awareness and coordinate beginning farmer and rancher opportunities, including a departmental policy statement that establishes measurable goals and objectives for USDA and each of its mission areas. To ensure follow through and coordination, an interagency council should be established similar to the Sustainable Development Council or the Small Farm Council".

The Committee has been informed that USDA is currently considering several options for implementing this recommendation and we are heartened by that news. We continue to believe this recommendation has great merit, and, as an additional, related recommendation we would also further suggest the Secretary create a position within the Office of the Secretary to oversee and coordinate beginning farmer and rancher issues in all mission areas throughout the department.

2. We recommend the Secretary champion beginning farmer and rancher initiatives and perspectives in the run up to the next farm bill. The Committee recommends that USDA, as part of its 2007 Farm Bill proposed policy options, urge Congress to include a new title of the bill to deal with farm entry, farm transition, and farming opportunities, or, if not a separate title, then to at least include a cross-cutting, cross-title initiative to address these beginning farmer and rancher issues, with specific proposals geared to the sections of the farm bill dealing with commodity programs, crop insurance, credit, conservation, research, and other relevant titles.
3. We encourage the Secretary to pursue farm assistance based on alternative incentives for beginning farmers and ranchers getting started in farming rather than utilizing a commodity support approach. The USDA/ERS report on "A Safety Net for Farm Households" states that only about 36% of all farms received a direct government payment in 1997. By farm typology group, the share of farms receiving payments ranged from less than 20% of limited resource farms to 75% of farms in high sales and large farm groups. The report goes on to say that if a farm safety net approach were used, the distribution of total benefits would

change dramatically. Most beginning farmers fit into the income criteria of limited resource farmers and could benefit far more from a safety net or similar approach.

4. To inform the general public, we encourage the Secretary to continue to use his considerable influence in a media campaign to enhance public perception of farming and ranching realities. The campaign should help explain the role of government in ensuring the availability of a safe, high quality, and reasonably priced food supply for the American public.
5. We applaud the Secretary for his farm bill forums being held across the country. We suggest the Secretary find ways to continue a national conversation on the future of owner-operator agriculture and ways to increase farming and ranching opportunities, and to improve farm/ranch entry and transfer.

Research, Extension, Education and Outreach Programs

6. We urge the Secretary to support full funding of the Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers (Section 2501) Program. The Committee recommends that USDA support funding of \$25 million in its Fiscal Year (FY) 2007 budget proposal. This is the amount authorized in the Farm Security and Rural Development Act of 2002 (2002 Farm Bill). Some socially disadvantaged farmers and ranchers are beginning farmers and ranchers. If full funding for the program was available, much more outreach and technical assistance could be provided to socially disadvantaged farmers and ranchers by the many groups and organizations throughout the Country that have the expertise and experience in providing such assistance.
7. We urge the Secretary to support substantial first-time funding in the FY 2007 USDA budget request for the Beginning Farmer and Rancher Development Program, a competitive grant program authorized by the Research and Related Matters title of the 2002 Farm Bill, and direct the Cooperative State Research, Education and Extension Service (CSREES) to assign staff, develop the program, and draft the initial request for applications. For example, the National Farm Transition Network, a group of programs that serve the educational and resource needs of beginning and retiring farmers, has a wealth of experience and expertise in serving the needs of these farmers. Providing matching funds to these programs would allow USDA to leverage state and community dollars while securing proven expertise and real benefits for farmers.
8. We recommend the Secretary direct CSREES to include a specific request for beginning farmer and rancher, farm transition, and farm entry projects within the FY 2007 Request for Applications (RFA) for the integrated farm profitability, small and medium-sized farm, and rural economic development program under the National Research Initiative Competitive Grants Program. This emphasis should be continued in each future fiscal year RFA.

Conservation Programs

9. We urge the Secretary to allow Conservation Reserve Program (CRP) contract holders whom are within the last two years of the expiration of their contract to receive their remaining payments and be released of their easement obligation to USDA, if the property is placed under the tenancy of a beginning farmer or rancher (Details in faxed letter to the Secretary dated August 13, 2005, a copy of which is enclosed herewith).
10. The Committee believes that some of last year's recommendations concerning the Natural Resources Conservation Service (NRCS) were not adequately addressed in USDA's July 15, 2004, response. Therefore we recommend the Secretary meet with appropriate members of NRCS to discuss these previous recommendations as outlined below, and suggest a more forthcoming and hopefully positive response result.
 - a. We recommend the Secretary direct NRCS to assign bonus ranking points and/or target funds to beginning farmers and ranchers in all federal conservation incentive programs to increase beginning farmer and rancher participation in such programs, utilizing the authority granted by Section 2004 of the 2002 Farm Bill. The Committee commends the Conservation Incentive Grants program for setting aside a percentage of funds for projects aimed at beginning farmers and ranchers and allowing a higher in-kind match for such projects, and encourages this effort to continue. Similar special incentives should be incorporated into all federal conservation incentive programs.
 - b. The Committee appreciates the fact that NRCS has implemented a final rule in 2003 concerning the Farm and Ranch Land Protection Program (FRPP) that includes specific provisions to incorporate concerns for farm transition planning. We urge the Secretary to direct NRCS to review how each participating state has implemented these provisions and prepare a progress report and recommendations for the future. States should be encouraged to consider adopting or adapting the program guidelines used in Pennsylvania to encourage effective farm transition and transfer strategies as part of farmland protection programs.
 - c. We propose that the Secretary direct NRCS to review all program rules for all conservation incentive programs to make them as beginning farmer and rancher-friendly as possible and to remove any barriers that may prevent beginning farmers and ranchers from participating.
 - d. We urge the Secretary to support full funding for the Conservation Security Program (CSP) with no caps or limitations on the program in the USDA budget request or congressional appropriations, and to direct NRCS to make the following changes to the CSP: (1) revert from the selected watershed approach back to a full-scale, national program; (2) if, despite our recommendation, the selected watershed approach is continued, then provide for enrollment on a national basis for beginning farmers and ranchers; (3) abide by the 90 percent cost-share, 15 percent cost-share differential provision for beginning farmers and ranchers in all states and regions of the country;

and (4) encourage states to provide special enhanced payments for beginning farmers and ranchers, consistent with the authority granted by Section 2004 of the 2002 Farm Bill.

- e. We urge the Secretary direct the NRCS to issue national guidance requiring a 15 percent differential for cost-share payments under the Environmental Quality Incentives Program (EQIP) be provided to beginning and limited resource farmers and ranchers nationwide, as authorized in the 2002 Farm Bill. For example, if the standard 75 percent rate is in use, beginning and limited resource producers should receive 90 percent, but if a state has set the maximum cost-share payment rate at 50 percent of the projected cost of the project, for instance, beginning and limited resource farmers and ranchers would receive 75 percent.

Also, we recommend that the EQIP performance incentive that rewards States that demonstrate a high level of performance in implementing the program should include a new factor that measures assistance to beginning farmers and ranchers in addition to the existing factor that measures assistance to limited resource producers.

- f. We recommend the Secretary direct the NRCS to revise the definition of beginning farmer and rancher to include other applicable components of the statutory definition used by the FSA, with appropriate adaptations for use in conservation program implementation. For instance, NRCS could adopt a cap on farm land ownership, but use a much higher percentage of median farm size than the one FSA uses for the purposes of first time real estate credit. Also, a "needs" element should be included in the definition, so those who have financial resources available are not receiving subsidized assistance.

Farm Service Agency (FSA) Loan Programs

11. Subject to also obtaining increased annual appropriations, we recommend the Secretary send Congress proposed legislation to increase loan limits with latitude to split the maximum authority between direct farm ownership loans (DFO) and direct operating loans (DOL) and index subsequent annual increases of loan caps for future years to inflation in a manner similar to the method utilized for the guaranteed loan program. Direct operating loan limits were last increased in 1984 when the limit went from \$100,000 to \$200,000. Direct farm ownership limits were last increased in 1978 to \$200,000.
12. We urge the Secretary review the impact that FSA direct and guaranteed loan term limits will have on the farming community, including beginning farmers and ranchers, and take appropriate administrative actions or propose legislative action to ensure adequate financing will be available for those producers.
13. The Secretary review the proposed rule changes to FSA's guaranteed loan interest assistance (IA) program and enhance the prospect of success for beginning farmers and ranchers by continuing the existing program for beginning farmers and ranchers.

Tax Policy

14. We encourage the Secretary to support initiatives to amend the Internal Revenue Code of 1986 to provide an exemption from capital gains for the sale of farmland to a first-time farmer as proposed in H.R. 2034, "The Beginning Farmers and Ranchers Act of 2005".
15. We urge the Secretary to support amendments to the Internal Revenue Code of 1986 to improve Agricultural Bonds as proposed in H.R. 651, "The Agricultural Bond Improvement Act of 2005." The changes to improve the availability of credit to beginning farmers and ranchers are as follows:
 - Exempt FSA guarantees from the federal guarantee prohibition on tax-exempt bonds.
 - Increase loan limits on agricultural bonds from \$250,000 to \$450,000 and index for future increases.
 - Repeal the dollar amount in the definition of substantial farmland.
 - Exempt agricultural bonds from the volume cap on industrial revenue bonds.

Thank you for allowing us to provide input regarding beginning farmers and ranchers.

Sincerely,



David Wirth
Chairman

USDA Advisory Committee on Beginning Farmers and Ranchers

cc: the Honorable J. B. Penn, USDA Undersecretary, Farm and Foreign Agricultural Services
Via US Mail and fax 202.720.8254



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

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Mr. David Wirth
Chairman, USDA Advisory Committee on
Beginning Farmers and Ranchers
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Dear Mr. Wirth:

Thank you for your faxed letter of September 26, 2005, to Secretary Johanns in which you submitted numerous recommendations on behalf of the Advisory Committee on Beginning Farmers and Ranchers (Committee). As you know, beginning farmer and rancher issues have been a major part of the Secretary's Farm Bill listening sessions held across the country this year.

You requested that the Secretary and his staff meet with a small delegation of Committee members in Washington, D.C., to discuss some of the recommendations developed in the Committee meeting held August 8-9, 2005. The Secretary would be pleased to meet with such a delegation so they can present the Committee's recommendations and answer any questions he may have. The Secretary is very interested in hearing the concerns and possible solutions for assisting the next generation of farmers and ranchers, and will give careful consideration to all recommendations made by the Committee. We will contact you once a date and time for the meeting has been established.

On September 27, 2005, the Secretary agreed to develop and implement a mission focus to heighten awareness and coordinate beginning farmer and rancher opportunities throughout the Department of Agriculture (USDA) (a Committee recommendation made last year to Secretary Veneman, and addressed again in the latest recommendations). This decision authorizes USDA to amend Departmental Regulation 9700-1, entitled "Small Farms Policy," to include beginning farmers and ranchers. This Departmental Regulation, issued on September 8, 1999, lists eight policy issues that are to be reflected in all mission area and agency mission statements, strategic plans, performance plans, and performance goals. Amending this policy statement will enhance efforts throughout the various USDA agencies in providing assistance to beginning farmers and ranchers.

I would like to thank you for the hard work you and the Committee put forth in developing the latest recommendations. The Secretary and his staff look forward to meeting and working with Committee members in order to improve assistance to beginning farmers and ranchers.

Sincerely,

for J.B. Penn
Under Secretary
Farm and Foreign Agricultural Services