



# Overview of Opportunities for Beginning Farmers and Ranchers

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## EXTENSION

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For beginning farmers and ranchers (BFRs), owning and managing your own operation can be one of the most rewarding experiences. However, acquiring the land and capital necessary for the operation can also be overwhelming since it typically comes with significant financial investment. Since 1992, the United States Department of Agriculture (USDA) has provided special assistance to beginning farmers and ranchers in order to address some of the barriers to start up, and create more opportunities for those serious about developing agricultural enterprises. The purpose of this fact sheet is to overview the opportunities available for BFRs for financial support, education and minimizing risk on an operation.

### What is a Beginning Farmer?

Currently, the USDA defines a beginning farmer or rancher as one who has operated any farm or ranch for 10 years or less. This experience limitation applies to all operators actively involved in the farm or ranch. Another requirement to be categorized as a beginning farmer or rancher includes not owning a farm or ranch that is greater than 30% of the average farm size in the county. This average farm size is determined by the most recent Census for Agriculture when a loan application is placed.

According to the 2017 Census of Agriculture (NASS 2017), there were more than 2 million farms with an average farm size of 441 acres. The average age of a primary operator was 58 years. However, almost 26% of operators have 10 years or less experience as the primary operator of a farm. This does not mean they don't have non-operator experience, only that they meet the definition of 'beginning'. The term 'beginning' also has nothing to do with the age of the primary operator. Many with a farm background will work off of the farm for some years before taking over an operation. Only 9% of operators were under 35 years of age in the 2017 Census. Among those operators, 80% had been in operation less than 10 years and they accounted for 17% of agricultural sales (NASS, 2020). With these characteristics in mind, USDA programs for lending, crop insurance and conservation programs are reviewed in this fact sheet.

### Other Eligibility Requirements

All USDA programs have eligibility requirements, and most of those requirements apply for beginning farmers and ranchers as well. Producers, of any age or experience, whose

average adjusted gross income exceeds \$900,000 are not eligible for payments or benefits under most programs administered by the Farm Service Agency (FSA) or the Natural Resource Conservation Service (NRCS). For certain loan programs, there is an additional three-year farm management experience requirement. However, beginning farmer and rancher programs may waive experience requirements or allow substitutes for farming experience (e.g. military service or post-secondary education in agriculture). Along with the managerial experience, the producer also must confirm they are actively engaged in the farming or ranching enterprise for many programs. Farm ownership structures often matter for program payment limitations as well, for all producers. For more information regarding eligibility requirements, visit program specific online sites or speak directly with the local FSA office.

### Farm Ownership Loans for Beginning Farmers and Ranchers

Because of an aging farming population, Congress has allocated a certain percentage of USDA administered farm ownership and operating loans authorized through the five-year cycle farm bills to: BFRs. Although all farmers and ranchers can apply for the loans mentioned below, only farmers and ranchers that meet the stipulations can receive this specific allocation of funding, paving the way for BFRs to successfully develop their operations.

The USDA FSA offers three types of Direct Farm Ownership loans:

- Traditional
- Joint Financing
- Down Payment

Each of these loans have specific stipulations and the producer's choice of loan depends on the producer's needs. The direct farm ownership loan's purpose can be for, but not limited to, buying or enlarging a farm or ranch, making a down payment on a farm or construction or improvement of facilities on an operation deemed essential.

### Traditional Direct Farm Ownership Loan

The typical farm ownership loan allows up to 100% financing with a maximum loan amount of \$600,000. All FSA

Direct Farm Ownership loans are financed and serviced by USDA. Interest rates are updated monthly, so it is important to check with your local farm service office or online at [Farm Loan Programs \(usda.gov\)](https://www.usda.gov/farm-loan-programs). As of May 1, 2021, the regular direct farm ownership loan interest rate was 3.250%.

### Joint Financing Direct Farm Ownership Loan

This loan is also known as a participation loan. For this particular loan, FSA provides up to 50% of the cost or value of the land being purchased. Then, a commercial lender, state program or seller of the property being purchased provides the remaining balance of loan funds, with or without an FSA guarantee. The maximum loan amount is the same as the regular direct farm ownership loan (\$600,000) but the interest rate does typically differ. The May 1, 2021 interest rate for a joint financing ownership loan is 2.500%.

### Direct Farm Ownership Down Payment

The down payment loan works differently from the two previously mentioned farm ownership loans. A maximum loan amount for the down payment program cannot exceed 45% of the lesser amount of:

- purchase price,
- appraised value of property being sold or
- \$667,000.

The application for a direct farm ownership loan can be found online at [Farm Ownership Loans \(usda.gov\)](https://www.usda.gov/farm-ownership-loans) or contact your local farm service office to meet with an agent to discuss your specific operation. Again, although these loans are available to all producers, FSA targets a portion of direct farm ownership loan funds specifically for farmers and ranchers. This money is specifically set aside and reserved until April 1 of each year to assist farmers and ranchers who meet the requirements of a beginning producer.

**Table 1. Direct Farm Ownership Loans\***

<i>Farm Ownership Loan Type</i>	<i>Max Loan Amount</i>	<i>Interest Rate (May 1, 2021)</i>	<i>Max Repayment</i>
Traditional	600,000	3.250	40 years
Joint Financing	600,000	2.500	40 years
Down Payment	300,150	1.500	20 years

\*These rates and terms update regularly. To see current FSA loan interest rates, visit [Farm Loan Programs \(usda.gov\)](https://www.usda.gov/farm-loan-programs).

### Land Contract Guarantee Program

For beginning farmers and ranchers, as well as other underserved groups, FSA also offers financial guarantees for land sale contracts. The Land Contract Guarantee program is designed to connect experienced farmers and ranchers who desire to sell land with beginning farmers and ranchers. The program provides not only an opportunity for BFRs to gain access to land, but it also provides, to an extent, financial protection for a retiring producer. The seller of the land may opt for either a federal prompt payment guarantee or a standard guarantee.

The prompt payment option is a guarantee which covers up to the amount of three amortized annual installments plus the cost of real estate taxes and insurance.

The standard guarantee covers 90% of the outstanding principal loan if the retiring producer has a servicing agent. Requirements for a financial guarantee include the following:

- Purchase price or market value cannot exceed \$500,000.
- Minimum down payment of at least 5% of purchase price.
- Fixed interest rate does not exceed direct farm ownership interest rate when guarantee is issued, plus three percentage points.
- Guarantee stays in effect 10 years.
- Contract payments must be amortized for a minimum of 20 years.

### Conservation Program Incentives

A general conservation agreement is required for most USDA programs, but there are also a variety of programs all producers can participate in for specific conservation initiatives and practices. The FSA administers the Conservation Reserve Program (general and continuous) and the Conservation Reserve Program – Grasslands. The NRCS administers the Conservation Stewardship Program and Environmental Quality Incentives Program, as well as regional conservation programs. Two programs in particular have incentives for BFRs.

### Transition Incentives Program (TIP)

TIP is a program administered by FSA to assist producers transition land currently enrolled in the Conservation Reserve Program (CRP) to a BFR, or a person in other underserved groups, who will return the land back to production uses. CRP is designed to devote environmentally sensitive land to conservation for a duration of 10 to 15 years. BFRs as well as CRP participants may enroll in the TIP program two years before 1. the scheduled expiration date of the CRP contract or 2. the \$50 million budget authorized in the 2018 Farm Bill for the CRP program is reached.

To be eligible for the TIP program, the owner or operator of the land currently under an expiring CRP contract must agree to sell, have a contract to sell or lease the land for at least five years to a BFR. However, the beginning farmer or rancher cannot be a family member. The current landowner must also agree to allow the beginning farmer or rancher to make conversation or land improvements under an approved conservation plan during the final two years of a CRP contract.

### Environmental Quality Incentives Program (EQIP)

To address natural resource and environmental concerns, EQIP provides technical and financial assistance to producers to improve water and air quality, conserve ground and surface water, increase soil health and reduce soil erosion as well as create wildlife habitation. With the help of the NRCS, a producer develops a conservation plan that will not only conserve natural resources, but also improve agricultural operations. Financial assistance for participation in this program includes NRCS covering part of the costs associated with implementing discussed conservation practices. All farmers, ranchers and forest landowners are eligible to participate in EQIP. However, there are increased and advance payments available for BFRs.

Applications for EQIP financial assistance are accepted throughout the year and a producer can apply at their local USDA service center.

## Risk Management Program Incentives

It is necessary for all farmers and ranchers to regularly manage financial, marketing, production, human resource and legal risks on their operations. There are many options for farmers and ranchers to manage risk, but the focus here is on risk management programs available through USDA to BFR. Crop, livestock and hay and pasture insurance products are available through private crop insurance agents or directly through the USDA. BFR status provides significant savings on premiums for these insurance programs and may offer some benefits for production history requirements.

Deadlines for insurance coverage vary by program and county. Talk to a trusted crop insurance agent to find out key deadlines for summer crop and winter crop multiperil insurance products. Hay and forage deadlines are March 15, July 15 and Nov. 15, depending on the type of hay or forage grown. Livestock revenue protection insurance is available to purchase throughout the year. However, the application must be submitted well before an incident as coverage does not begin until the day purchased and the USDA Risk Management Agency (RMA) approves the purchase. Consult with an insurance agent to identify the insurance options, premiums and deadlines for your specific operation's needs.

## Beginning Farmer and Rancher Benefits for Insurance

For crop producers, the first step is to find an insurance agent with whom you can develop a strong relationship. The USDA-RMA provides crop insurance through the Federal Crop Insurance Corporation, in which reinsurance agreements are formed with private agencies. BFRs are eligible for specific benefits which include:

- Exemption from administrative fee payments for catastrophic and additional coverage policies
- Additional 10 percentage points of premium subsidy for policies that have premium subsidy
- Ability to use production history from a previous producer if the BFR was involved in the decision making or physical activities on the farm
- Increase in the substitute Yield Adjustment. This allows the beginning farmer to replace a low yield due to an insured cause of loss, from 60% to 80% of the applicable transitional yield.

Livestock, hay and pasture insurance products that are available through USDA also provide premium adjustments for BFR.

## Non-insured Crop Disaster Assistance Program (NAP)

This product is available for any crop, hay or pasture for which crop insurance is not available in that county. It is available for purchase through the county FSA Office and often covers specialty or uncommon crops. For example, it might be used to insure pecans, turfgrass or less commonly grown oilseeds

## Summary

The Beginning Farmer and Rancher program is designed to aid and support producers early in their agriculture careers by providing financial, educational and technical assistance. The program is designed to encourage those desiring to be involved in agriculture but have limited access to capital or resources. In 2020, the USDA designated national and state-level beginning farmer and rancher coordinators to assist producers eligible for this program. The name and contact information for the beginning farmer and rancher coordinator for each state and the national coordinators can be found at [Beginning Farmer and Rancher Coordinators | Farmers.gov](#). All information in this fact sheet is explained in more detail through the United States Department of Agriculture and Farm Service Agency. For more information on a specific program, follow the links located in the references or talk to your local Farm Service Agency office. This fact sheet was created to provide Oklahoma farmers and ranchers information on the beginning farmers and ranchers program in one central location.

## References

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Extension carries out programs in the broad categories of agriculture, natural resources and environment; family and consumer sciences; 4-H and other youth; and community resource development. Extension staff members live and work among the people they serve to help stimulate and educate Americans to plan ahead and cope with their problems.

Some characteristics of the Cooperative Extension system are:

- The federal, state, and local governments cooperatively share in its financial support and program direction.
- It is administered by the land-grant university as designated by the state legislature through an Extension director.
- Extension programs are nonpolitical, objective, and research-based information.
- It provides practical, problem-oriented education for people of all ages. It is designated to take the knowledge of the university to those persons who do not or cannot participate in the formal classroom instruction of the university.
- It utilizes research from university, government, and other sources to help people make their own decisions.
- More than a million volunteers help multiply the impact of the Extension professional staff.
- It dispenses no funds to the public.
- It is not a regulatory agency, but it does inform people of regulations and of their options in meeting them.
- Local programs are developed and carried out in full recognition of national problems and goals.
- The Extension staff educates people through personal contacts, meetings, demonstrations, and the mass media.
- Extension has the built-in flexibility to adjust its programs and subject matter to meet new needs. Activities shift from year to year as citizen groups and Extension workers close to the problems advise changes.

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