

The Advisory
Committee
on Beginning
Farmers and
Ranchers



SEPTEMBER 2021

Executive Summary

As the critically important next generation of agriculture, Beginning Farmers and Ranchers (BFR) face unprecedented challenges and unparalleled opportunities. The Advisory Committee on Beginning Farmers and Ranchers (ACBFR) urges the United States Department of Agriculture (USDA) to designate BFRs as a top priority.

It is imperative that BFRs have a strong network of resources and support available to them to ensure their success. USDA should establish clear Department-wide priorities, divert resources, and establish specific initiatives to guarantee the success of the next generation of farmers.

We urge the USDA to designate BFRs as a national priority across the Department and deliver a clear message not only to the next generation of farmers and, ranchers, but also USDA staff, policymakers and stakeholders that supporting BFRs is a central part of their work. Identifying an action plan and establishing clear metrics for monitoring to ensure BFRs are fully accessing USDA programs is critical. It is also equally important to embed this work within the USDA's priorities focusing on advancing racial equity and addressing climate change. We urge the Department to explicitly include BFRs in these other key priorities and corresponding initiatives.

Acknowledgements

The United States Department of Agriculture Advisory Committee on Beginning Farmers and Ranchers would like to thank each of the USDA officials and representatives from the various organizations who presented to the Committee and most importantly, the members of the public who spoke during the period of public comment and to everyone that submitted written comments.

The **Honorable Thomas Vilsack**
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Office of the Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Avenue, SW Room 216-W
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Dear Secretary Vilsack,

The USDA Advisory Committee on Beginning Farmers and Ranchers (ACBFR), as part of its responsibility to advise you on matters relating to Beginning Farmers and Ranchers (BFR), submits this report.

Previously, ACBFR submitted recommendations regarding how to support BFRs, who have been highly impacted, by the COVID-19 national epidemic. We sincerely appreciate the Department's commitment to helping new and beginning farmers and ranchers.

We have all been honored to serve on the Committee and give voice to BFRs.



Sincerely,

Jason Brand, Chairman

USDA Advisory Committee on Beginning Farmers and Ranchers

The Advisory Committee on Beginning Farmers and Ranchers

Goal 1. Increase USDA's Ability to Effectively Service and Support the Beginning Farmers and Ranchers.

1. Recommendations

Develop a standard definition for a beginning farmer and rancher (BFR) that can be applied consistently across USDA programs and agencies. As members of the Advisory Committee on Beginning Farmers and Ranchers (ACBFR), we come from a wide variety of background and experiences.

We recognize and have heard testimony from the various USDA agencies regarding the many different programs and opportunities available to assist BFRs. However, one of the concerns that we have heard is that new and beginning farmers and ranchers are not aware of these programs and opportunities and that there are some inconsistencies from field office to field office, state to state, or agency to agency. It is partially because of these concerns that we are proposing the US Department of Agriculture adopt a universal definition that can be applied unilaterally across agencies, states, and field offices. Ideally the definition is clear and concise enough to prevent varying interpretations and simple enough to allow an individual or entity to self-certify.

Our intent is not to eliminate individuals from qualifying for USDA programs, grants, or other opportunities, but rather to give them an equal benchmark for competition. With that in mind the ACBFR has proposed the following definition for a New and Beginning Farmer and Rancher.

Recommended Beginning Farmers and Ranchers definition: A beginning farmer or rancher is an individual who is actively engaged in management of a farm or ranch for not more than a cumulative of 10 years since their 18th birthday.

The term “actively engaged” was discussed at length in our committee due to its significant impact on limiting potential new and beginning farmers and ranchers from being eligible for USDA eligibility. For the purpose of this definition, we will defer to the current definition as defined by Congress in the 2014 Farm Bill (Federal Register 7 CFR Part 1400 RIN 0560-AI31, <https://www.federalregister.gov/documents/2015/12/16/2015-31532/payment-limitation-and-payment-eligibility-actively-engaged-in-farming>).

As a point of clarification, a BFR can be younger than 18 years old but for the purpose of qualifying as a BFR the 10-year cumulative time will not start until their 18th birthday assuming the individual is actively engaged.

While our hope is that the above definition helps to clarify what a BFR is, we also acknowledge that a new era of agriculture is emerging in the United States and that a one size fits all option may not fit our beginning farmer and ranchers. The ACBFR has discussed a variety of subcategories and would encourage the Department to develop funding opportunities, programs, and grants to target the changing face of US Agriculture.

Designate the State Beginning Farmer and Rancher Coordinators as fulltime positions, provide additional resources to ensure success, and establish accountability mechanisms.

Section 12304 of the 2018 Farm Bill establishes BFR Coordinators both at the national and state level to provide outreach and technical assistance to assist BFRs to participate in USDA programs. These positions carry a significant burden in helping USDA to improve outreach and targeted assistance to BFRs. Given the broad scope of these positions as directed in the farm bill: coordinating technical assistance; developing a State Plan to improve coordination, delivery, and efficacy of USDA programs; overseeing implementation of the State Plan; working with USDA outreach coordinators to coordinate outreach efforts to BFRs throughout the state; and coordinating partnerships and joint outreach efforts with other organizations serving BFRs; it would be difficult to effectively serve the needs of BFRs by staff designated as collateral duty.

Additionally, developing a directive on Beginning Farmers and Ranchers would guide agencies toward action. The directive should establish coordinated policy for BFR outreach initiatives. If applicable, require agencies to formalize a working group representative and through the working group each agency would identify key program performance indicators to be included in a USDA annual plan.

We also recommend that both the National and State Coordinators are provided sufficient resources to be successful and the full engagement of USDA Leadership to reinforce the importance of the work of these coordinators. Coordinators should establish and monitor performance metrics in their states, and clear action plans for improving BFR participation for underperforming states.

Continued education and mentoring for Beginning Farmers and Ranchers. Currently the Beginning Farmer and Rancher Development Program has provided grants to organizations for education and mentoring of BFR's. We recommend a look at the programs and how they are being utilized to see where continued improvements can be made. We recommend a renewed focus of education and mentoring for BFR's in their third plus year of farming or ranching. Once BFR's overcome the challenges of startup they face the next phase of business growth and sustainability. Continued business education, resources and mentorship is critical in the development of building businesses that can be adaptable to withstand the volatility and unpredictability of agricultural markets.

Continue to Utilize Virtual Tools to Better Serve Beginning Farmers and Ranchers. Over the past year, our entire country has faced the challenges of doing business in the face of the ongoing COVID-19 pandemic. USDA has been successful in adapting technology to better serve farmers and ranchers in the era of social distancing by allowing employees to be available virtually, to offer document signing virtually and to communicate program availability across different platforms. Throughout the pandemic, USDA program sign ups were easily accessible, and the use of virtual tools simplified the application process.

We recommend that USDA continue to utilize and further develop virtual tools to help BFRs access information and allow for a more streamlined, timely and flexible application processes. In the past, there has been a stigma that working with USDA is a complicated and lengthy process. By utilizing more virtual tools, beginning farmers and ranchers can have access to the necessary information at their convenience and in a simplified format.

Additionally, some farmers and ranchers continue to feel underserved and uncomfortable working with specific offices or specific USDA staff, usually after a negative interaction, or worse, explicit, or overt discriminatory treatment. By allowing virtual tools, including the ability of farmers to work with USDA staff beyond just their designated county office, farmers and ranchers would have access to necessary information and it may allow opportunity for a more comfortable working relationship.

To increase the use of technology effectively and efficiently, we recommend continued investment for technology improvements on local levels to ensure employees have access to the needed technology in the field (laptops, cell phones, secure broadband, etc.).

Continuous Stakeholder Input. We also recommend that USDA continue the use of virtual listening sessions to reach as many BFR as possible and to ensure a robust and regular opportunity for stakeholder input and feedback into USDA programs and policies. We recommend that each State Beginning Farmer Coordinator convene regular listening sessions with farmers in their states or regions and that each Coordinator establish a state Beginning Farmer Working Group or Advisory Committee, comprised of BFRs, to ensure BFR concerns are embedded into state plans and USDA activities at the local level.

Increase Data Collection and Performance Metrics to Monitor Beginning Farmer and Rancher Participation. We would like to recommend that there be a renewed focus on data analytics and metrics regarding the impact of BFRs on U.S. Agriculture and how to better serve BFRs. There is much diversity in scale of business, commodities, race, and socio-economics status of BFRs. We recommend a continued focus on collecting data to better analyze the effectiveness of programs, the implementation of new programs, how to better serve the underserved and how to improve program reach. We recommend more data reports focused on BFRs that can be shared with stakeholders.

Develop a Comprehensive Digital Strategy for Connecting with Beginning Farmers and Ranchers. Currently the website www.farmers.gov and www.newfarmers.usda.gov are being utilized with a focus being streamlined towards www.farmers.gov. We recommend a focus on website analytics and a long-term digital strategy that includes an action plan to collaborate with other organizations to link websites and social media to better reach BFRs on different platforms.

Goal 2. Reduce Beginning Farmer and Rancher Capital Related Obstacles

1. Recommendations

Improve the Beginning Farmer and Rancher customer experience as follows:

- Create or purchase both an app and online platform to provide the following to applicants and guaranteed lenders:
 - A full description of each program offered to BFRs inclusive of a detailed description of all items needed to constitute a complete application for each loan, grant, or cost-share type.

- low applicants to submit all required data through the applicable app or platform while also showing any remaining items needed to allow the application to be complete. If there are timetables required for submission based upon the applicant type (direct borrower, standard eligible lender, preferred lender, etc.), please have those timetables displayed within the portal for the customer.
 - Ensure the applicant (whether direct borrower or guaranteed lender) is contacted in no more than four (4) business days from the submission of the initial request to ensure all parties are aware of what is needed to satisfy all remaining needed items.
 - Establish an estimated timeline to closing that could be communicated to the borrower or guaranteed lender once all required documents are provided. Going forward, monitor and periodically update these estimated timelines based upon all data obtained from actual loan closings.
 - Allow all documents to be electronically signed via Docu-Sign or other similar software.
- Enable future required financial information to be entered into a portal in the Moody's system utilized by the Farm Service Agency (FSA) to then be uploaded by the applicable FSA employee.
 - Enable tax returns and other similar documents to be scanned and uploaded to the FSA portal within the Moody's system.
 - It is acknowledged the implementation of the above items would require dedicated funds. It is respectfully requested Congress be asked to allocate the needed monies to enable the improved BFR experience.
 - Implement "Customer Experience Group" initiatives with farm loan employees nationwide to ensure equitable and quality service and product knowledge are provided to BFRs.

Encourage a cultural change to minimize the inconsistency of program understanding levels within the various FSA offices. Encourage the utilization of "expert" knowledge as a reference for specific crops to allow specialized FSA employees to cover larger areas in instances where the local knowledge may be limited for that commodity. Promoting collaboration with extension offices and similar local expertise can most effectively serve the customer. Additionally, timelines from loan application to closing should be used as a metric to determine where greater knowledge or efficiency may exist for the purpose of improving training.

Establish procedures to ensure all personnel are trained in both current and emerging agricultural loan programs, both direct and guaranteed, specifically designed to serve all potential BFR applicants. Capture and analyze demographic information from each applicant willing to provide information to better understand future training opportunities.

Utilize the implementation of **Recommendation 1**, **Recommendation 2**, and **Recommendation 3** only for the Beginning Farmer and Rancher programs initially to learn where the strengths and weaknesses may lie. This should allow for a more structured future

roll-out for all FSA loan programs. This could also then be utilized for any non-FSA related programs benefitting the BFR group.

Create a program whereby the student loan debt for farmers could be forgiven or restructured. Participants in the BFR program for a minimum of five (5) consecutive years could be forgiven or restructured at a one percent interest rate with any restructured debt having a 100 percent government guarantee.

Goal 3. Better Facilitate the Transfer of U.S. Ag Land and Operations to BFRs

1. Recommendations

Increase knowledge, capacity, and capability of FSA staff to administer all available programs consistently throughout the country. FSA provides a plethora of valuable program offerings and loan products to BFRs across the country. However, access to these programs is not always consistent between regional offices and states. For example, the Land Contract Guarantee Program is inaccessible in California and used in other states. USDA needs to ensure that field staff are aware of and trained in administration of programmatic offerings, including BFR loans which have been made accessible universally across all states and regions.

Allow USDA contract transferability to farms that are changing structure or ownership, in which a BFR is party. As NRCS and FSA provide valuable conservation programs through EQIP, CSP, and CRP, these environmental contracts should be allowed to roll into new BFR ownership when the entirety of the controlled land is transferred, for instance, when the ownership goes through a structural change (i.e., Partnership of a father and son to Sole Proprietorship of the son)

or the farm's ownership is bought (i.e., a new FEIN number as a father's business is sold to his daughter). While the new BFR owner would have to opt-in to the contract, two major advantages are present: the land would remain enrolled in a USDA conservation program that is benefitting the public good, and the new owner would not have to standby for the next application period.

Distribute grants to qualified non-profits to be used for succession planning services and educational programs. As the average age of the American farmer/rancher steadily increases, we note the importance of assisting BFRs as they delve into production agriculture. We further acknowledge that capable, qualified entities exist and are ready to support BFRs. Therefore, we recommend that the USDA award succession planning grants to these third-party entities, which can consult on farmland and operation transfers.

Goal 4. Facilitate the Access of Land by Beginning Farmers and Ranchers

1. Recommendations

Retain stepped-up basis clause for intergenerational land transfers. Maintain the federal capital gains tax rate at 20 percent or whatever level is broadly applicable across the country for a given intergenerational land transfer. Capital gains taxes are based on the change in the value of an asset, such as farmland, livestock, or timber, when that asset is sold compared to the value when the asset was acquired by the current owner. Retain the step-up in basis for capital gains tax at death and carryover of basis for intergenerational transfers of productive agricultural land. To reduce the capital gains tax expense, farmers and ranchers use stepped-up basis, which provides a reset for the basis during intergenerational transfers. In effect, upon the transfer of assets following a death, the basis is reset to the market value at the date of death. Following the adjustment, taxes can be levied only on gains realized by the individual during his or her ownership, not on gains realized prior to the step-up in basis. Given that the asset values in agriculture have appreciated significantly in recent years, when farmland is inherited, without a step-up in basis, BFRs would face significant capital gains taxes which could undermine the financial viability of the BFR inheriting the farmland.

Any change in capital gains tax policy that eliminates, or scales back stepped-up basis could result in a massive tax burden on the agricultural sector. Any such changes should be carefully evaluated in terms of its impact on BFRs, and accommodations made to reduce the impact of such changes on BFRs.

Create a mechanism to help BFRs compete with reopened Conservation Reserve Program enrollment with higher rental payments. The recent reopened 2021 CRP enrollment with modified higher payments will make it difficult for BFR to compete with the government for land access. An alternative approach would be to use Working Lands Conservation Programs with BFR incentives for conservation practices to accomplish conservation goals on BFR ground. Another approach could be to provide reduced interest rates for loans under BFR loan program for implementing conservation practices.

Incentivize Land Access

Forgive or drastically reduce the capital gains tax if an experienced farmer agrees to sell farmland to a BFR at a discounted market value that would be equal to the capital gains due. The goal would be to lower the cost of land for the BFR by offering the experienced farmer seller a break on the capital gains he would normally be required to pay. The incentive would be that an experienced farmer would not pay capital gains if they sold to a BFR. Typically, experienced farmers work for decades to get to the point where they can finally afford to sell or find it advantageous to sell, only to see the government take a portion of the land appreciation to a point it is not advantageous, ends up being too costly to sell, or is too costly for BFR to purchase.

- Additional benefit via tax credit or other financial incentives to landowners who seek socially disadvantaged farmers and ranchers. persons as a successor for purchasing the farm. *
- Incentive to landowner to long term lease to BFR with additional incentives to socially disadvantaged farmers and ranchers. *

- Create an incentive in the IRS Section 1031 Like-Kind Exchange code for an experienced farmer who sells a farm to a BFR then re-invests the proceeds of a sale into a similar-nature property to receive deferred capital gains tax. The seller would be granted two years, as opposed to 180 days in regular sales, to find the next property for which the Like-Kind Exchange would be used.
- This could potentially be budget neutral, depending on the increase in market prices and the loss of the use of the money during the two years, given the capital gains would be deferred into the second property but would eventually be paid upon the sale of the second property.
- Utilize and promote current incentives to broaden land access to BFRs from underrepresented communities to build greater diversity in the BFR population.
- Interest rate subsidy for seller financing who sell to BFR with additional incentives available to landowners who sell to a socially disadvantaged farmer or farmer who belongs to a community of color, as a buyer. *
- Land Contract Program is not administered in California. *
- More dedicated funding for non-profit land-link/farm-link state organizations, like state block grant implementation, that are building these connections and incentivizing finance structures that enhance land access. Money dedicated to operation expenses and technical assistance providers. *
- Enhance the role of farmer cooperatives for incentive-based land access models, particularly when it comes to farmer cooperatives' ability to access land programs and eligibility for qualifying programs. *

* **Note:** Eligibility for these recommendations would require BFRs and landowners to be considered “actively engaged farmers” under the 2018 Farm Bill definition.