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INDIANOLA, Iowa (DTN) -- There's no shortage of young or beginning enthusiasts who want to farm, experts say. The clincher is access to the capital and credit necessary to make a full-time living as a farmer.

That's one of the major reasons the ranks of full-time farm operators under the age of 25 plunged by about 50 percent between the 2002 and 2007 Census of Agriculture, despite boom times in commodity prices and profits.

What kind of assets does it take to support a full-time farmer? In the Midwest, that can be renting 1,200 to 1,500 acres per family for a viable row-crop operation, according to University of Illinois ag economist Gary Schnitkey. Or it can be 90 dairy cows per family, said banker Brad Guse with M&I Bank in Marshfield, Wis.

"Bare bones, I'd say, 300 to 600 acres of row crop, some livestock and some off-farm income with health insurance benefits," said David Baker with Iowa State University's Beginning Farmer Center.

Realistically, though, acquiring big enough lines of credit to farm on a significant scale remains a barrier to entry for many beginning operators. Inexperienced producers may not have the financial literacy to run the size of businesses that dominate farming today, lenders say: Not counting cash rents that can sometimes tally \$200 an acre and up, Illinois farmers spent an estimated \$529 per acre to plant the 2009 corn crop. That represented a 90 percent increase from the 2003-2007 average.

Just to run the cash expenses on Schnitkey's recommended 1,200-acre crop farm would require outlays of about \$875,000. In short, input and land inflation may have simply priced some beginners out of the full-time market.

BEST RATES IN DECADES

Concern about the low numbers of farm entrants and the aging farm population prompted Congress to drastically expand federal credit programs for beginning farmers in last year's farm bill and to closely monitor how the Farm Credit System performs its mission to serve new farmers.

With more lending authority and a minimum interest rate of 1.5 percent (down from 4 percent under old law), the Farm Service Agency is doing a land office business on its 20-year fixed-rate farm down payment loans for beginning farmers, those with less than 10 years experience. Loan numbers are up 896 percent from a year ago, and total loan volume is up 1,271 percent, with two more months of activity in this fiscal year, as of Aug. 1.

"FSA's down payment program for beginning farmers to purchase land has really taken off since the 2008 Farm Bill allowed more favorable rates and terms," said Mark Falcone with the FSA in Washington, D.C. A beginning farmer pays a 5 percent down payment, and FSA will lend 45 percent of a purchase up to \$500,000 at 1.5 percent interest for 20 years. FSA works with other lenders who provide the other 50 percent, and the loan can be combined with FSA's loan guarantee program.

The net result is a blend of interest rates, say 1.5 percent on the government's share and about 7.7 percent for the private lender's portion. "That 1.5 percent is the best interest rate I've ever seen for a USDA loan program, and I've worked in farm credit for 27 years," said Greg Beachy, with Farm Credit Services of Mid-America in Louisville. "USDA really is looking for ways to get young people into farming."

Other USDA lending programs are also kicking into high gear. The number of direct operating loans to beginning farmers by FSA surged 67 percent by dollar loan volume so far this fiscal year. The volume of beginning farmer direct guaranteed loans jumped 17 percent.

"Seventy-five percent of our direct farm ownership loan funds and 50 percent of our direct operating loans go to beginning or socially disadvantaged farmers," said Jeff Koch, farm loan chief of the Farm Service Agency in Illinois. "I tell farmers, we are no longer the lender of last resort. We are the lender of first opportunity."

Twenty-eight year old Matt Searle of Marshalltown, Iowa, was able to purchase some land from a neighboring landlord who wanted to sell. "It's a little scary taking on that debt, but FSA's down payment program helped me get started in building up some equity," said Searle.

"I tell beginning farmers that FSA loans are the first stop in looking for money. Our bank works closely with FSA and a special Wisconsin program to offer some attractive rates and terms," said Brad Guse, with M&I Bank in Marshfield, Wis.

FARM CREDIT SYSTEM SUPPORT

The Farm Credit System has also expanded beginning farmer programs, extending a total of \$33 billion in outstanding loans at the end of 2008, probably more than any other lender. Some associations already channel about 40 percent of their loans to operators with less than 10 years experience.

"If you look at the increasing age of farmers and the percent over 65, you have to be concerned about how they'll pass off their businesses to the next generation," said John Moore, the Farm Credit Administration's chief economist.

Terms vary locally, but FCS institutions have flexibility to temporarily knock as much as 25 to 150 basis points off normal rates for high-risk borrowers; they may also give concessions on the required amount of collateral or current assets.

Josh Jones, 30, of Troy, Idaho, researched a dozen banks before going with Farm Credit Services to get started in farming. "They had the most competitive rates for beginning farmers at the time," said Jones.

Despite the challenges, this might be one of the best times in decades to enter agriculture, observed Bob Frazee, CEO of MidAtlantic Farm Credit near Baltimore. "Lord knows there's uncertainty about the economy and prices are volatile, but we're still at historically low interest rates," Frazee said. "If you can lock those rates in and control your credit costs now, you'll have a head start."

For results of the 2007 Census of Agriculture:

[http://www.agcensus.usda.gov/...](http://www.agcensus.usda.gov/)

For more beginner farmer credit information:

USDA beginning farmer/rancher loans: [http://www.fsa.usda.gov/...](http://www.fsa.usda.gov/)

USDA grants for beginning farmers: [http://www.csrees.usda.gov/...](http://www.csrees.usda.gov/)

Farm Credit Services (to locate office): [http://www.farmcredit.com/...](http://www.farmcredit.com/) . Then search or click on beginning farmer program.

State finance programs: [http://www.stateagfinance.org/...](http://www.stateagfinance.org/)

Center for Rural Affairs (summary of websites for beginning farmers): [http://www.cfra.org/...](http://www.cfra.org/)

Iowa Beginning Farmer Center: [http://www.extension.iastate.edu/...](http://www.extension.iastate.edu/)

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If you're a farmer under age 35, tell DTN/The Progressive Farmer about the challenges you face as a young farmer, and be entered to win one of 10 Leatherman tools.

We are conducting a brief survey about issues facing farmers. Please click the link below (or copy it into your browser) and tell us what you think. Your feedback will help DTN/The Progressive Farmer better meet your needs in future publications. The results of this survey will be featured in the October edition of Progressive Farmer.

[http://survey.newsouthresearch.com/...](http://survey.newsouthresearch.com/)

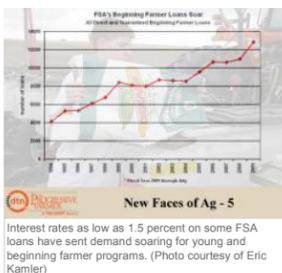
This survey is being conducted, tabulated and reported by an independent marketing research company, New South Research. You will not be asked to purchase anything, as this survey is intended for research purposes only. Your responses will be kept strictly confidential and will be reported in the aggregate.

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