UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

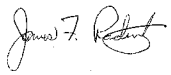
Notice FLP-196

1941-A, 1943-A, 1945-D

For: State and County Offices

Clarifying Family Farm Definition

Approved by: Acting Deputy Administrator, Farm Loan Programs



1 Overview

A Background

The definition of a family farm used in the implementation of FLP is general, by necessity, in recognition of the diversity of agriculture across the country. Because of this diversity, it is important to consider the definition of a family farm on an individual, case-by-case basis.

B Purpose

This notice provides guidance in determining whether an applicant's farming operation meets the family farm definition in the following FSA directives:

- FmHA Instruction 1941-A
- FmHA Instruction 1943-A
- FmHA Instruction 1945-D
- 2-FLP.

C Contact

If there any questions about this notice, State Offices shall contact LMD at 202-720-1632.

Disposal Date	Distribution
March 1, 2002	State Offices; State Offices relay to County Offices

2 Guidelines for Determining Family Farm

A Introduction

Use guidelines in this notice to ensure that all FLP applicants' farm operations receive due consideration under the family farm definition. These guidelines apply to the family farm definition in the direct and guaranteed loan programs.

B Factors to Consider

The following factors should be considered when determining whether an applicant meets the family farm definition.

Item	Factor	Consideration
1	Recognized in the community as a farm	Consider how the applicant's farm operation compares to similar farm operations in the community.
2	Management and control of the farm business	All of the day-to-day management and operational decisions should be made by members of the farm family. The use of consultants, advisors, and similar experts is acceptable if a member of the farm family is the decisionmaker.
3	Amount of labor	A substantial amount of the full-time labor required must be contributed by family or entity members. Labor includes both physical labor and management of the farm. The use of seasonally hired labor should not be precluded. The borrower may not necessarily perform a majority of the labor, but the amount of labor provided by the borrower is significant. FSA must consider the labor requirements that are necessary for the production of specific high-value, labor intensive crops such as fruits or vegetables.
4	Credit needs	Congress established FSA's loan limits to ensure that loans are made to family farm operations. Loan participation arrangements are acceptable when FSA farm loans cannot meet the total needs; but, if the maximum FSA farm loans are a small portion of the total credit requirements, this may be another indicator of a larger than family-size farm when considered with other factors.

Continued on the next page

2 Guidelines for Determining Family Farm (Continued)

C Making Decisions

FSA decisionmakers shall:

- analyze all the components that make up the regulatory definition of family farm and the items discussed in subparagraph B.
- look at all aspects and the circumstances of the farm operations.

Note: Consider and analyze these factors, and how the factors relate to one another.

Application of judgment, combined with documentation of all the factors for the decision, should provide reasonable determinations of an applicant's qualifications as a family farm.