



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

NOV 17 2008

Mr. Trent McKnight
Chairman
McKnight Ranches
Post Office Box 99
104 East High Street
Throckmorton, Texas 76843

Dear Mr. McKnight:

Thank you for your August 7, 2008, letter and the recommendations developed by the Department of Agriculture (USDA) Advisory Committee on Beginning Farmers and Ranchers at its July 9-10, 2008, meeting in Washington, D.C.

As you are well aware, providing assistance to America's beginning farmers and ranchers is one of USDA's top priorities. Our ability to assist beginning farmers and ranchers has been enhanced by the numerous programs specifically targeting beginning farmers and ranchers in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). In the coming months, USDA will be working hard to implement these programs supporting our next generation of farmers and ranchers. The 2008 Farm Bill also establishes an Office of Advocacy and Outreach, which you referenced in your recommendations, to ensure that beginning farmers and ranchers and socially disadvantaged farmers and ranchers have greater access to USDA's programs.

I have enclosed our response to the Committees' recommendations. I hope that the Committee finds them helpful. In closing, I would like to thank you and the members of the Committee for the recommendations you have submitted and for your continuing and dedicated support for beginning farmers and ranchers.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Schafer", written in a cursive style.

Edward T. Schafer
Secretary

Enclosure

**USDA Response
to the
Recommendations of the
USDA Advisory Committee on
Beginning Farmers and Ranchers**

**U.S. Department of Agriculture
October 2008**

- 1. Create a comprehensive Beginning Farmer and Rancher compendium and a comprehensive marketing plan for that compendium which:**
 - a. Uses appropriate technology,**
 - b. Includes Socially Disadvantaged/Beginning Farmers and Ranchers,**
 - c. Uses marketing tools appropriate to the community such as webinars, teleconferences, distant education, podcasts, MySpace, etc.,**
 - d. Includes audience specific information,**
 - e. Works with existing farm groups and corporate partners.**

Several electronic Government (e-Gov) initiatives are currently underway which, at least in part, address this issue. Currently, the Catalog of Federal Domestic Assistance (CFDA) is available on-line at www.cfda.gov. This portal currently has limited search capabilities, however, other e-Gov initiatives such as GovBenefits (www.govbenefits.gov) and GovLoans (www.govloans.gov) provide improved, personalized access to Government assistance programs. USDA is continually looking for better ways to market our program. We currently use a wide variety of mediums such as town-hall meetings, webinars, and teleconferences. However, we do not utilize technologies such as MySpace to market our programs due to security concerns associated with these websites.

- 2. Conduct Farm Succession Planning Outreach Sessions and encourage existing farm succession organizations to participate. Support increased training and outreach to the farming and ranching community on estate and succession planning through USDA (NRCS, CSREES, RMA, RD and FSA) programs.**

Estate planning and farm succession is one of the specified subject areas legislatively mandated for inclusion in competitively funded projects through the Beginning Farmer and Rancher Development Program (BFRDP). This will be included in the subject areas for which applications for funding are solicited in the BFRDP Request for Applications for Fiscal Year (FY) 2009. In addition to BFRDP efforts, the Risk Management Education (RME) program funded through CSREES, has a special emphasis beginning in FY 2009 focusing on, among other areas, succession and estate planning issues (i.e., farm transition and retiring farmer's concerns). RME conferences have already provided special emphasis on farm succession and estate planning, as have projects funded under the National Research Initiative program. In the summer of 2008, CSREES conducted a webinar through the Farm Family Forum on farm succession and estate planning issues and will continue seeking opportunities to highlight grant funded developed materials to ensure more widespread usage and awareness of farm succession activities. In addition, the Financial Security for All Community of Practice on eXtension (www.extension.org) contains information relating to estate planning. Finally, the RME Ag Risk Education Library (www.agrisk.umn.edu) contains numerous resource materials available to the public from its online database of

materials developed and used through funded RME projects. CSREES will continue soliciting stakeholder input on these and other issues during Stakeholder Input sessions related to the BFRDP and other programs.

- 3. Establish the Office of Advocacy and Outreach at the departmental level (Section 14013 of the Food, Conservation and Energy Act of 2008). It should be a stand-alone office that reports directly to the Secretary.**

The Farm Bill implementation is a top priority at USDA, and we have established a process to analyze and implement the Bill's many provisions, including those concerning the Office of Advocacy and Outreach, and to ensure that implementation occurs in an efficient manner.

- 4. Support the full, \$25 million funding for the Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers (Section 2501) Program. We request that the appropriate agency conduct research on the impact of the 2501 program on Beginning Farmers and Ranchers.**

CSREES has administered the 2501 program for several years. CSREES will continue providing guidance and input to the 2501 program as directed by the Secretary. A listing of 2501 projects funded by CSREES during the period the agency has administered this program is available from Dr. Dionne Toombs, the current National Program Leader assigned to administration of the 2501 program.

- 5. Promote agri-tourism opportunities as a value-added approach to farming for Beginning Farmers and Ranchers. Conduct research on barriers and possible solutions to this emerging market.**

In FY 2008, ERS published a report, *Farm-Based Recreation: A Statistical Profile*, (available at <http://www.ers.usda.gov/publications/err53/err53.pdf>), which described the characteristics of farmers involved in the agritourism business. The report is based on data from the 2004 Agricultural Resource Management Survey (ARMS). The findings were also summarized in an Amber Waves article, "Agritourism Offers Opportunities for Farm Operators" (<http://www.ers.usda.gov/AmberWaves/February08/Findings/Agritourism.htm>). In 2004, 2.5 percent of U.S. farms received income from farm-based recreation. Agritourism opportunities can help diversify a farmer's income, serving as a potential cushion against farm income fluctuations due to variability in weather, prices, and government payments. In addition to the research conducted by ERS, the Natural Resources Conservation Service has developed an "Alternative Enterprises and Agritourism - Farming for Profit and Sustainability" tool kit, available at: <http://www.economics.nrcs.usda.gov/altenterprise/>. The website contains numerous publications, fact sheets, and resource manuals. NRCS also works in partnership with 375 Resource Conservation and Development (RC&D) Councils nationwide. Many of these Councils are working with local producers to develop

value-added products, alternative enterprises, and agritourism activities to improve the financial viability of farms and ranches within their geographic area. More information about RC&D Councils and a national directory is available on the website of the National Association of RC&D Councils at <http://www.rcdnet.org/>.

6. Investigate the impact of the implication of the International Building Code requirements on Beginning Farmers and Ranchers.

The International Building Code, which is a model building code developed by the International Code Council, has been adopted in all 50 States. However, most States allow amendments to the code, as do local jurisdictions. In addition, the code is a living document revised every 3 years. Therefore, assessing its impact on beginning farmers nationwide would require significant resources in an area that is beyond USDA's span of expertise.

7. Establish criteria to provide extra ranking points for projects of Beginning Farmers and Ranchers for the Value-Added Agricultural Market Development Program Grants.

The 2008 Farm Bill requires that in awarding grants for the Value Added Program Grants program, "The Secretary shall give priority to projects that contribute to increasing opportunities for -- (A) beginning farmers or ranchers; (B) socially disadvantaged farmers or ranchers; and (C) operators of small- and medium-sized farms and ranches that are structured as a family farm." We believe that it is important to ensure that priority is given to these groups in such a way as to ensure that when two equivalent projects are considered, a project from a priority group is given preference over a project that is not from a priority group.

The best way to give priority without requiring significantly more information from a priority group is to award a set number of points to any applicant that meets the definition of a priority group and meets the other eligibility requirements for the program in terms of the type of applicant, the value-added product to be marketed, and the use of funds. The point system for the FY 2009 program is structured so that applications from applicants in a priority group receive additional points equal to approximately 5 percent of the total points available. Applicants that meet the definition for more than one priority group would be able to receive additional points for each priority group to which they belong. This point structure will ensure that applications from beginning farmers and ranchers, socially disadvantaged farmers, and small- and mid-size family farms are given priority, but not assured of funding. It is critical that the agency maintain the national competitiveness of the program and that it awards grants to projects that are most likely to succeed in terms of feasibility, sustainability, and profitability.

In terms of definitions that will be used for the priority groups, the agency intends to utilize the definitions either referenced by or incorporated into the 2008 Farm Bill.

8. Establish a dialogue on the impacts of tax code amendments to encourage tax incentives, rebates, and exemption of capital gains that would provide additional assistance to Beginning Farmers and Ranchers.

The National Extension Farm Income Tax Committee is part of the national land grant and extension system and has been in existence continually for over 50 years. The CSREES National Program Leader (NPL) for Risk Management Education (RME) and Farm Financial Management is a liaison to the Committee. The Committee provides input to the Internal Revenue Service (IRS) on Publication 225 (a special publication for farmers and ranchers published by the IRS) and committee members conduct tax clinics annually in various locations around the country providing tax educational content to farmers, ranchers, and their financial and tax advisors. The CSREES NPL for RME will advance this issue to the Tax Committee and encourage the Committee (within available funds and resources) to consider special publications for Beginning Farmers and Ranchers on understanding the Internal Revenue Code and the importance and impact of tax issues to the successful farming and ranching enterprise through existing or future activities. Inclusion of tax education content in the emerging Community of Practice for Agricultural Law is also underway. Otherwise, the “encouragement of tax incentives, rebates and exemption of capital gains” is beyond the scope of USDA and is a matter of statutory change.

9. Provide a grant program to Beginning Farmers and Ranchers to purchase broadband internet equipment (i.e. satellite) for farms and ranches where conventional internet infrastructure is not available. This opportunity will allow recipients to access online USDA programs, emerging markets, technical assistance, and farm management education/training.

Rural Development's Utilities Programs provide loan and grant funds for the deployment of broadband service in rural America, with priority and targeted funding specifically for communities without broadband connectivity. Competitive grants are provided to rural towns to deploy broadband service for essential community facilities such as schools, town halls, police, etc. In turn, the community must provide free broadband service to residents at a local community center for at least 2 years. Many of our success stories can be found on the Rural Development website at www.rurdev.usda.gov. These programs are not available to individuals.

Satellite equipment needed to obtain broadband internet connectivity typically costs \$200-\$300. Individuals and small business can generally include the cost of the equipment as part of the regular monthly subscription service, thus requiring no upfront fees. Installation is generally free, especially when the customer may already have satellite television service. If installation is required, the cost is normally less than \$200. This results in a total cost of less than \$500. Given this relatively low cost, we do not believe a grant

program is necessary. However, financial assistance may be available to eligible beginning farmers and ranchers through the FSA's farm operating loan program. A beginning farmer or rancher who meets the eligibility criteria for an FSA operating loan may use loan proceeds to purchase broadband equipment if it is determined that the internet connectivity will contribute to the success of the farming operation.

10. Include a Beginning Farmer and Rancher advisory position on the Farm Service Agency (FSA) County Committee. This position should have voting privileges if another Beginning Farmer or Rancher is not elected.

FSA will explore the possibility of including an advisor role for a beginning farmer or rancher to assist with FSA County Committee activities. The suggestion to extend an advisor voting authority is only possible with legislative action.

11. Coordinate existing and, if necessary, establish new grant/cost-share/loan programs for equipment and facilities to help Beginning Farmers and Ranchers conserve energy.

I will instruct USDA's Small and Beginning Farmer and Rancher coordinators to evaluate existing agency programs' ability to assist beginning farmers to acquire or refurbish equipment and facilities in order to increase the energy efficiency of operations.

12. Address the legal impediments of Section 5 of Public Law 102-554 (Federal-State Beginning Farmer Partnership) so FSA may enter into Memorandum of Understandings with states who want to coordinate business development assistance for Beginning Farmers and Ranchers.

FSA currently has 18 active Memorandums of Understanding (MOU) in place with States in order to provide business development assistance to beginning farmers and ranchers. To date, we are aware of only one instance where a legal impediment prevented an MOU from being established between FSA and a State entity. However, I will instruct FSA to further discuss this issue with USDA's legal counsel.

13. Allow FSA loan programs to have more flexibility to allow Beginning Farmer and Rancher participants to buy into established operations, including purchasing a percentage of an operating entity such as a Limited Liability Corporation (LLC), Partnership, Limited Liability Partnership (LLP), custom operation, etc.

Example: As a dairy livestock dependent state, there are large capital requirements for beginning farmers in Wisconsin. Some operators overcome this barrier by sharing capital investment with other operators.

Increasingly, Farm Service Agency is seeing loan demand from beginning farmers wishing to share livestock facilities. This is driven by the diminishing availability of efficient facilities in operable condition. The Wisconsin Shared Facility Policy allows a beginning farmer to build equity over the short term, specifically in livestock, enabling him/her to eventually bring that equity into an entity, such as an LLC, or relocate on his/her own.

FSA supports innovative approaches to assist beginning farmers and ranchers. However, current law requires that the purchaser be or become the owner-operator of the family farm. Therefore, a change in the authorizing legislation would be needed to implement this recommendation. The proposal also raises security concerns.

14. Require all state NRCS programs to add special ranking points for Beginning Farmers and Ranchers.

NRCS will continue to encourage State Conservationists, in consultation with the State Technical Committee or local work group, respectively, to provide special enhancements for beginning farmers and ranchers within existing programmatic authorities

15. Require an extra ranking point on EQIP contracts for Beginning Farmers and Ranchers who use precise location system technology (i.e. GPS tracking and other innovative technologies as they become available).

NRCS's State Conservationist or designated conservationist, in consultation with the State Technical Committee or local work group, respectively, will develop ranking criteria at the State or local level. Ranking criteria may emphasize beginning farmers or ranchers or the use of precision technology, depending upon State or local priority resource concerns.

16. Require all state Environmental Quality Incentive Program (EQIP) and Conservation Security Program (CSP) contracts to each include a mandatory, minimum 10% set-aside for Beginning Farmers and Ranchers.

The 2008 Farm Bill replaces the Conservation Security Program (CSP) with the Conservation Stewardship Program (CSTP). The 2008 Farm Bill also established a national target of 5 percent of EQIP funds and 5 percent of CSTP acres for socially disadvantaged farmers and ranchers. An additional 5 percent of EQIP funds and 5 percent of CTSP acres for beginning farmers and ranchers has also been targeted. It further allows these individuals to receive in advance up to 30 percent of the amount needed for purchasing materials or contracting. Rules for the programs are being developed in accordance with the timeline and factors in the Farm Bill.

17. Promote the use of cooperative agreements with Non-Governmental Organizations (NGO) for conservation planning and technical assistance to Beginning Farmers and Ranchers.

NRCS will continue to use agreements and partnerships with NGOs to reach out to beginning farmers and ranchers and will continue to stimulate the development and adoption of innovative conservation approaches and technologies through the Conservation Innovation Grants Program. NGOs are important partners in helping NRCS address some of the Nation's most pressing natural resource concerns for beginning farmers and ranchers.

18. Issue a proposed rule on the new Conservation Security Program in a timely manner to encourage sign-up from Beginning Farmers and Ranchers.

The rules for the new Conservation Stewardship Program are being developed in accordance to the timeline given in the Farm Bill.

19. Examine the impact that emerging carbon credit markets, wind rights, water rights, and other environmental service markets will have on farm ownership, land surface value, farm succession and Beginning Farmers and Ranchers.

The ERS is just beginning to explore how carbon markets will impact farm ownership. As such, there are no reportable results at this time. Since the agency is only beginning to discuss questions to add to the ARMS survey, it will be several years before the data will be available.

CSREES is working in an administrative support capacity in creation of a Community of Practice for Agricultural Law within the Land Grant and Extension system. Many States have agricultural lawyers as Land Grant and Extension faculty/staff to provide legal education to the farming and ranching public. Legal issues and liabilities and the impact on farming and ranching business is important to a successful enterprise. Two of the subject areas for initial focus by the Agricultural Law Community of Practice are: bio-fuels/alternative energy and general landowner liabilities. Agricultural law professionals will, through the Community of Practice, prepare landowner/producer legal education content for posting on the www.extension.org agricultural law website. They will also work with the National Agricultural Law Center (located at University of Arkansas) to further disseminate legal education concerning emerging issues of carbon credit markets, wind rights, water rights, other environmental service markets and the impact of these developments on farm ownership, land surface value, farm succession and Beginning Farmers and Ranchers. The CSREES NPL for RME and the co-lead NPLs for BFRDP will refer this issue to both the Community of Practice for Agricultural Law, as well as the National Agricultural Law Center.