USDA Microloans expand access to capital for Beginning Farmers

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As state executive director for the U.S. Department of Agriculture Farm Service Agency in California, I have met countless beginning farmers and ranchers, military veterans, farmers market vendors, CSA growers, urban agriculturalists and many others interested in making a living growing the food that we consume. For most of these men and women, two significant issues stand in the way of their dreams: access to land and access to capital. To address these challenges, USDA has introduced a new solution in agricultural lending: the Microloan.

Land is prohibitively expensive in California and the daily costs of running even a small farming operation can test the mettle of the most committed would-be farmer or rancher. Many have resorted to funding their daily operating expenses on a credit card or with a high-interest personal loan. The debt burden quickly becomes overwhelming, the personal risks too high, and the result can be dashed hopes and deferred dreams, bankruptcy or worse. In a state where the average farmer is approaching 60 years of age, we need programs like the Microloan that address this "capital crunch" in a direct and citizen-friendly way.

Moreover, to revitalize our rural communities and economies, we need programs that invest in our people and provide the next generation of farmers and ranchers with the financial tools they'll use to grow their own version of the American Dream. USDA understands these critical needs of smaller farmers and ranchers and our new Microloan program will provide up to $35,000 to help bolster these producers during their startup years. Microloans are like other operating loans offered by USDA. They can be used to purchase livestock, equipment, feed, seed, fertilizer and related supplies. But here's a real benefit when compared to those who use credit cards and personal loans to fund their operations: The current interest rate for a microloan is 1.125 percent. From the tiniest acorns grow the mightiest oaks.

Here's how Microloans differ from traditional FSA loans. Applying is a simpler, more flexible process. By reducing the application form from 17 pages to seven and modifying requirements for experience, it's far more convenient for both our customers and our employees. We've also reduced the red tape and bureaucracy to make the whole process more citizen-friendly.

Of course, some farm production or apprenticeship experience is necessary, but there are many producers who may not meet the managerial requirements for traditional loans and still may be eligible for a Microloan. FSA will consider an applicant's small-business experience, experience with an apprenticeship and specialized education to meet this prerequisite.

It is imperative that we use new tools like the USDA Microloan to provide access to credit to those just starting out or those producing on a smaller scale in order to grow American agriculture. It's important because agriculture can provide the food, fuel and new jobs that will build our economy and ensure a safe and affordable food supply at home and abroad. It's important because loans like these keep people living in vibrant, economically successful rural communities, sending their children to our local schools and doing business with local shops, banks and other businesses. And it's important because a rising tide lifts all boats.

With the expansion of local and regional food sources and as cities and communities around the state join the growing "field-to-fork" movement, there are increasing numbers of people going back to the farm and selling their products directly to consumers through farmers markets and community-supported agriculture businesses. Microloans are perfect for these farmers and also those who grow niche crops to sell directly to ethnic markets, restaurants and specialty produce distributors.

Young farmers and ranchers also will benefit. Borrowers who previously used an FSA Youth Loan and successfully repaid the debt are good candidates for a Microloan. Young producers who graduate from the Microloan program move to a new level and are preparing themselves and their businesses for larger FSA operating loans or commercial loans through the FSA Guaranteed Loan Program. Successful participation in USDA loan programs also helps to build good credit and, in turn, builds important relationships between farmers and their local banks, credit unions and farm credit associations, further strengthening rural economies.

By expanding access to credit, FSA continues to help grow the industry on which our country was built: agriculture. Throughout the United States, FSA has made more than 32,000 loans totaling over $4 billion; the number of loans to beginning farmers and ranchers has increased from 11,000 in 2008 to 16,000 in 2012. More than 50 percent of USDA farm loans now go to beginning farmers, while lending to socially disadvantaged producers has increased nearly 50 percent since 2008. In California, well over half of our lending portfolio is focused on beginning farmers and ranchers and through our network of county offices, we continue to support farmers and ranchers in every corner of the state.

At USDA, we help people achieve their dreams whether they are traditional production agriculture operations or smaller-scale farms and ranches. By supporting all of America's growers, we help all Americans, and by providing access to capital in the form of a USDA Microloan, we're expanding access to greater opportunity for all of our rural citizens.

From the wheat grower in Modoc County to the sheep rancher in Solano County, from the peach grower in Fresno to the greenhouses of San Diego County, for all of California's diverse farmers and ranchers, USDA investments in these agricultural entrepreneurs and innovators will continue to ensure safe, secure and affordable food for all Americans and for many millions around the world.

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