



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 2888 (1943)  
October 7, 1993

SUBJECT: Farm Ownership (FO) and Operating (OL) Loans, both Direct and Guaranteed, to Socially Disadvantaged Applicants (SDAs) and FO and OL Loans for Alternative Agricultural Enterprises

TO: State Directors, District Directors, and County Supervisors, FmHA

ATTN: Farmer Program Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidelines for carrying out the socially disadvantaged outreach program and clarify our policy on financing alternative agricultural enterprises. The intended outcome is to insure the availability of direct and guaranteed farm ownership (FO) and operating (OL) loan funds to socially disadvantaged applicants (SDAs) and to insure that loan approval officials explore the possibility of alternative agricultural enterprises for SDAs and non-SDAs when warranted.

COMPARISON WITH PREVIOUS AN:

This AN replaces FmHA AN 2531(1943), dated April 27, 1992, which expired on March 31, 1993. This AN also replaces an Unnumbered Letter dated November 23, 1992, entitled "Outreach Program for the Socially Disadvantaged (Guaranteed Farm Ownership Loans)" which will expire on November 30, 1993.

IMPLEMENTATION RESPONSIBILITIES:

Each State Director will direct the Farmer Programs Chief or another designated employee to coordinate an outreach program for direct and guaranteed FO and OL loans. The guidance set forth in Section 1943.13(b) of FmHA Instruction 1943-A pertaining to outreach should be used, along with other initiatives that you might have developed within your State. You should also refer to the unnumbered letter dated March 19, 1993, entitled "Farmer Programs Funds Targeted to Socially Disadvantaged Groups," for guidance.

EXPIRATION DATE: September 30, 1994

FILING INSTRUCTIONS  
Preceding FmHA  
Instruction 1943-A



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Secretary of Agriculture, Washington, D.C. 20250

The FmHA direct operating loan regulation and the guaranteed FO and OL regulations are being revised to incorporate the SDA program. Also, a handbook for the SDA program is being developed. These regulations will be issued to field offices at some time in the future. Current regulations do not prohibit the funding of direct OL and guaranteed FO and OL loans to SDAs.

New SDA target participation rates were issued to field offices by FmHA AN No. 2880 (1943), dated October 4, 1993. FO and OL funds, both direct and guaranteed, will be targeted in accordance with the new rates. The State Director will designate the agricultural counties which will participate in the SDA program in October of each year, based on the target participation rates and total amount of targeted funds available. A State map showing the designated counties for both FO and OL targeted SDA funds will be submitted to the National Office, Emergency Designation Staff, by November 30 of each year. If practicable, the targeted funds should be allocated to the designated agricultural counties, with the county having the highest target participation rate receiving the highest allocation and so on in descending order. If it is not practicable to allocate funds in such a manner, then the State Director may allocate the funds on a first come, first serve basis in those designated counties only.

State Directors need to make sure that everything possible is done to assure that SDA targeted assistance is obligated in their States prior to the end of the fiscal year. The Administrator may pool unobligated targeted funds for SDAs prior to the end of the fiscal year if determined necessary and reallocate to other States to meet the needs of SDAs. States which use all their targeted allocations during the fiscal year and have approved SDA applications in need of funding which cannot be met through other sources, should contact the National Office Fund Allocation Branch and request assistance. State Directors may use nontargeted OL and FO funds to exceed their State target participation rates in order to meet the requests of SDAs.

It remains the Agency's policy that targeted direct FO funds will be used only for purchase of farmland by SDAs. FO loans made by lenders to SDAs may be guaranteed by FmHA for any authorized FO purpose set forth in the regulations.

Targeted funds for OL loans to SDAs, both direct and guaranteed, may be used for any authorized purposes set out in the regulations.

The requirement in Section 1943.13 (c)(2) of FmHA Instruction 1943-A for semi-annual reports has now been changed to an annual report only. The FmHA National Office will collect most of the information it needs to assess your accomplishments in the SDA program from computerized information. Each State Office will submit by October 15 of each year the following information for the period October 1 of the previous year through September 30 of the reporting year:

No.                      Amount

Initial Applications for  
Credit Sales Received

Subsequent Applications for  
Credit Sales Received

No.

Announcements Placed in:  
Local Newspapers  
Radio  
Public Television  
Other (Explain)

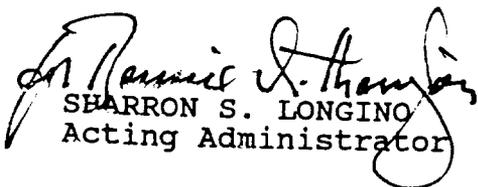
A narrative statement regarding other efforts and/or accomplishments under the Outreach Program.

The Agency is authorized to make OL and FO loans to finance alternative agricultural enterprises (AAEs). An AAE is a non traditional (unique) enterprise that is not carried on in the area and/or on the particular farm.

Applicants desiring to start an AAE often have little or no experience in farming these unique commodities. Also, in most cases, no National or State unit prices exist for the products on which to develop feasible plans of operation. Therefore, the following guidelines should be followed in working with applicants who need direct or guaranteed FO or OL loans to finance AAEs:

1. County Supervisors will ensure that:
  - a. As with all FO or OL loans, any applicant who seeks FmHA financing or a guaranteed loan for AAEs meets all loan eligibility criteria in FmHA regulations.

- b. Applicants who do not have adequate experience in such enterprises but have successful experience that can be transferred to the management of an AAE should start on a small scale and grow as their experience and markets increase. The objective is to minimize the borrower's financial risk and increase the amount of farm income so the borrower will have a reasonable prospect of success.
  - c. AAEs must project a feasible plan based on a careful analysis and the development of sound farm plans. The AAE analysis should include at a minimum:
    - (i) the availability of a dependable market,
    - (ii) potential profit from the enterprise,
    - (iii) cost of production (enterprise analysis),
    - (iv) investment required,
    - (v) environmental impact.
  - d. Feasibility studies for AAEs are well documented by reliable sources.
  - e. In those States where they exist, utilize the borrower training, small farmer training and technical assistance projects under cooperative agreements with 1890 Land Grant Institutions and the Federation of Southern Cooperatives.
2. State Directors will:
- a. In those States where they exist, consult with officials of the 1862 and/or 1890 Land Grant Institution(s) to utilize their expertise in AAEs as a viable method of increasing borrower income.
  - b. Issue a State Supplement to County Supervisors and District Directors, setting forth guidelines for development of AAEs.

  
SHARRON S. LONGINO  
Acting Administrator