



*Farm Loan Programs*

## **FSA News**

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### **NEW LAND CONTRACT GUARANTEE HELPS SELLERS AND BUYERS**

(Tualatin, OR - September 30, 2003) - The Farm Service Agency (FSA) has begun accepting applications under a new pilot program aimed at helping beginning farmers and ranchers buy farmland. According to Larry Frey, FSA's State Executive Director for Oregon, the pilot program created by the 2002 Farm Bill is only available in Oregon and five other States.

"Land owners are sometimes reluctant to sell their farms on a land sale contract to beginning farmers for fear that payments might be missed, or not made on time," said Frey. "This pilot guarantee program will take some of the risk out of selling land on contract to new farmers."

According to Frey, sellers that want to sell their farm or ranch land to a beginning farmer on a land sale contract can apply to have up to two contract installments guaranteed by FSA. "The idea is that by lessening the risk to the seller, sellers will be more apt to sell their land to the next generation of beginning farmers." Frey said the pilot phase of this program will test this premise, and will help determine whether this is a viable approach for helping facilitate the transfer of farmland to beginning farmers and ranchers.

Initially, the pilot program is only available in six States: Oregon, Indiana, Iowa, North Dakota, Pennsylvania, and Wisconsin. Up to five land sale contracts can be guaranteed in each State each fiscal year of the pilot phase of the program. The pilot program is authorized to operate through Fiscal Year 2007.

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Lynn Voigt, FSA's Farm Loan Chief for Oregon, said that the program is structured to provide the seller a guarantee of up to two annual installments on the land sale contract over the first 10 years of the contract. "If a contract installment is missed or is late by 30 days during the guarantee period, the Agency will pay the seller the amount due," Voigt said. "The maximum amount that can be paid under the guarantee is the dollar amount of two equal amortized annual installments, plus real estate taxes and insurance." Under the program, the purchase price of the property can not exceed \$500,000 and the buyer must provide a cash downpayment of at least 5 percent.

To qualify as a beginning farmer or rancher under the program, Voigt said that buyers must have materially participated in the management of a farm or ranch for at least 3 years, but can not have farmed or ranched for more than 10 years. If the buyer already owns farmland, the buyer can still qualify as a beginning farmer if the size of the farm or ranch the buyer already owns is less than 30 percent of the average farm size for the County.

"This is a great program that offers opportunities for beginning farmers and the retiring generation alike," explained Frey. "It helps assure an uninterrupted flow of contract income for the retiring generation, while at the same time providing incentives for the transfer of farm assets to the next generation of farm owners."

Persons wanting to learn more about FSA's new Beginning Farmer Land Sale contract Guarantee Program should contact their nearest FSA County office. FSA County Offices are listed in the government pages of the telephone directory under the Department of Agriculture. General information is also available on the Agency's website at [www.fsa.usda.gov](http://www.fsa.usda.gov). Simply click on the "Farm Loans" link, and then the "What's New" link.

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