



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2531 (1943)
April 27, 1992

SUBJECT: Financing Alternative Agricultural Enterprises
With Farm Ownership (FO) and Operating (OL) Loans

TO: State Directors, District Directors and County
Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this FmHA Administrative Notice (AN) is to clarify our policy on financing alternative agricultural enterprises.

COMPARISON WITH PREVIOUS AN:

This AN substantially replaces AN No. 2267 (1943) dated April 4, 1991, which expired on February 29, 1992.

IMPLEMENTATION RESPONSIBILITIES:

Applicants desiring to start an alternative agricultural enterprise often have little or no experience in farming these unique commodities and, 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 FO and OL loans to finance alternative agricultural enterprises:

County Supervisors

1. As with all FO and OL loans, any applicant who seeks FmHA financing for alternative agricultural enterprises must meet all loan eligibility criteria. A primary requirement is that the applicant/borrower must have "sufficient applicable educational and/or on the job training or farming experience in managing and operating a farm or ranch (1 year's complete production and marketing

EXPIRATION DATE: March 31, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1943-A



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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

cycle within the last five years) which clearly demonstrates the production and managerial ability necessary to assure reasonable prospects of success in the proposed plan of operation."

2. Applicants who do not have adequate experience in such enterprises must start on a small scale and grow as their experience and markets increase. The objective is to minimize the borrower's financial risk and, hopefully, increase the amount of farm income so the borrower will have a reasonable prospect of success.

3. Alternative agricultural enterprises must show a positive cash flow based on a feasibility study and sound farm plans as prescribed in FmHA Instruction 1924-B.

4. The feasibility studies and farm plans of applicants desiring to operate an alternative agricultural enterprise should be prepared and recommended by reliable sources, for example 1862/1890 Land Grant Institutions, and have a feasible marketing plan.

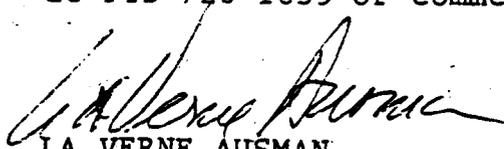
5. In 14 States, FmHA has financed small farmer training and technical assistance projects under Cooperative Agreements with 1890 Land Grant Institutions and the Federation of Southern Cooperatives (Georgia). County Supervisors should utilize these projects in working with SDA applicants, to help them in selecting farms and planning enterprises, including alternative agricultural enterprises, based on reliable feasibility studies.

State Directors

1. Consult with officials of the 1862 or 1890 Land Grant Institution in their States to reach an agreement on what information will be needed to support an applicant's plan to operate an alternative agricultural enterprise.

2. Issue a State supplement to County Supervisors and District Directors, setting forth guidelines for obtaining information and needed supervisory assistance for alternative agricultural enterprises.

If you have any questions on the above, you may contact Wilbert Campbell Jr., Director, Emergency Designation Staff, at FTS 720-1635 or commercial (202) 720-1635.


LA VERNE AUSMAN
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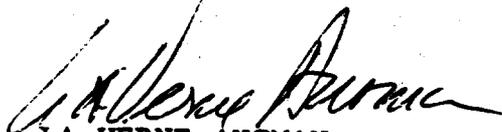
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