

For: State and County Offices

Clarifying Family Farm Definition

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

The definition of a family farm in FmHA Instructions on loan making is general, by necessity, in recognition of the diversity of agriculture across the country. Because of this diversity, it is important to consider the definition of a family farm on an individual, case-by-case basis. This notice replaces Notice FC-183.

B

Purpose

This notice provides guidance and clarification on the family farm definition under the following FmHA Instructions:

- 1941-A, section 1941.4
- 1943-A, section 1943.4
- 1945-D, section 1945.154.

C

Contact

If questions about this notice, State Offices shall contact LMD at 202-720-1632.

<p>Disposal Date</p> <p>March 1, 2000</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p>
--	--

Notice FLP-27

2 Guidelines for Determining Family Farm

A

Introduction

The guidelines in this notice shall be used to ensure that all farm operations receive due consideration under the family farm definition. These guidelines apply to the family farm definition in the direct and guaranteed loan programs.

B

Factors to Consider

With regard to the items noted in the regulatory definition, the following factors should be weighed both together and separately as the family farm definition is made.

Item	Factor	Consideration
1	Recognized in the community as a farm	Consider how the applicant's farm operation compares to similar farm operations in the community. In most areas of the country and in most farming enterprises, the family will provide most of the day-to-day labor on a family farm. An exception may be made for enterprises which produce high value, labor intensive crops such as fruit or vegetables.
2	Management and control of the farm business	All of the day-to-day management and operational decisions should be made by members of the farm family. The use of consultants, advisors, and similar experts is certainly acceptable provided someone in the farm family is the decisionmaker.
3	Amount of labor	A substantial amount of the full-time labor required must be contributed by family or entity members to the operation. The use of seasonally hired labor should not be precluded. The borrower may not necessarily perform a majority of the labor, but the amount of labor provided by the borrower is significant. One distinguishing characteristic of a family farm is that the family members provide both physical labor and management for the farm. Consider the labor requirements that are necessary for the production of specific high-value, labor intensive crops.

Continued on the next page

2 Guidelines for Determining Family Farm (Continued)

**B
Factors to
Consider
(Continued)**

Item	Factor	Consideration
4	Credit needs	Congress established FSA's loan limits to assist family-sized operations. The loan limits generally ensure that loans are made to family farm operations. It is also important that every effort be made to ensure that loans are made only when it is certain that other credit is not available. Loan participation arrangements are acceptable when FSA farm loans cannot meet the total needs; but, if the maximum FSA farm loans are a small portion of the total credit requirements, this may be another indicator of a larger than family-size farm when considered with other factors, or that credit is available from another source.

**C
Making
Decisions**

FSA decision makers shall:

- analyze all the components that make up the regulatory definition of family farm and the items discussed in subparagraph B.
- look at all aspects and the circumstances of the farm operations.

Note: Consider and analyze these factors, and how the factors relate to one another.

Application of judgment, combined with documentation of all the factors for the decision, should provide reasonable determinations of an applicant's qualifications as a family farm.

3 Obsolete Material

**A
Obsolete Notice**

Notice FC-183 is obsolete.
