United States Department of Agriculture

Farm and Foreign Agricultural Services

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Mr. Chairman and distinguished Committee Members, I appreciate the opportunity to provide you with information today concerning HB 2700, and the prospect for having an "Aggie Bond" program here in the State of Oregon.

My name is Lynn Voigt, and I serve as the State Executive Director for the U.S. Department of Agriculture's Farm Service Agency (FSA) here in Oregon. I grew up on my grandfather and uncle's farm in northern Lane County, and went to work for the USDA shortly before graduating from Oregon State University in 1969 with a B.S. in Agricultural Economics. During my career with the USDA, I have worked with a variety of rural credit issues, including agricultural finance, housing, municipal finance, and a 3-year tour in Washington, DC working with multi-family and labor housing finance programs for rural areas. In 1986 I became the Agency's Farm Loan Chief in Oregon, and served in that capacity until receiving the honor of being appointed by the President to serve as FSA's Oregon State Executive Director in August of 2009.

FSA administers both farm programs and farm loan programs that support the economic stability of America's farmers and ranchers. By providing access to capital, FSA's farm loan programs help beginning farmers and ranchers become established in agricultural production, help existing farmers and ranchers recover from natural disaster and financial adversity, and help the retiring generation efficiently transfer ownership of their agricultural assets to the next generation of agricultural producers. In fulfilling this role, FSA prides itself on being the "lender of first opportunity."

Farming is a capital intensive endeavor. Beginning farmers often report that their biggest challenge in getting stared in farming is access to enough capital and farmland to operate at a size capable of earning a decent return. This points out the need to help the serious, motivated, and prepared beginning farmers get to the next level. FSA is working hard to serve small and beginning farmers with about 45 percent of the dollars loaned in Oregon going to this sector. Many of these farmers lack equity, which is where FSA can help.

FSA has loan guarantee programs to facilitate lending by conventional agricultural lenders, and the Agency can loan directly to farmers and ranchers as well. But more importantly, FSA partners with other agricultural lenders to leverage available resources. Under the Agency's direct downpayment loan program for example, FSA provides loan assistance on a subordinated basis – allowing another lender to provide the first 50% of the needed financing. FSA follows that by providing up to 45% more in a junior lien position.

The Aggie Bond program would be a nice complement to FSA's loan and loan guarantee programs. It would allow the originating lender to provide a lower rate on their loan, so that when combined with FSA's reduced interest rates, the new farmer can save a lot of money on loan costs.

Since cash flow tends to be thin for small family farmers in general, reductions in interest rates play a significant role. FSA has very low rates right now, but programs and rates are subject to change in relation to the economy and national issues. FSA is a Federal agency and as such is dependent on annual appropriations. There have been times when the timing of our allocations does not match the annual production cycle of agriculture, or puts pressure on the timing of purchase transactions. Since many newer farmers tend not to be taking over farms from family members where transaction timing can be more relaxed, this potential for timing issues might favor larger established farmers who are looking to consolidate neighboring farms. Having another tool to provide lower rate loans to beginning farmers will only help them be more competitive in gaining access to land, and will benefit Oregon agriculture in general.

An Aggie Bond program would also be a good complement to FSA's new Microloan program for small and beginning farmers. Often times, small producers have a very difficult time obtaining needed financing. To help fill this need, FSA's Microloan program is available to help smaller farmers and ranchers with start-up or operational credit needs of $35,000 or less. Loan funds can be used to cover annual operating expenses (such as feed, seed, fertilizer, and land rent), as well as the purchase of essential capital items (such as livestock, machinery, and equipment). With the Aggie Bond program being able to finance used machinery and equipment for first-time farmers, FSA will be able to forgo the use of its limited loan funds for this purpose, and help a larger number of the state's small and beginning family farmers meet their annual operating credit needs with the remaining Microloan dollars available. The Aggie Bond program would provide a great opportunity to leverage available funds, and when partnered with FSA's Microloan program, would serve as an attractive loan alternative for smaller farming operations like specialty crop producers and operators marketing through local food systems.

We have a unique situation in agriculture right now. According to the USDA's Economic Research Service, the share of farms operated by beginning farmers has been in decline for more than two decades. Beginning farms and ranches accounted for 22 percent of the nation's 2 million family farms and ranches in 2011 – down from about 38 percent in 1982. Consistent with this trend, the average age of principal farm operators in the United States has risen from 50 to 58 in this period. An older generation is now positioned to begin looking for a way to gracefully exit farming, while a younger generation is looking to get into farming for the first time. Supporting small family farmers not only benefits the farmers looking to meet the growing demands of the local food movement, it also prepares farmers to grow into position to be able to take over when older farmers retire. Implementing a state Aggie Bond program makes a lot of sense to help ease the pressures, and help small farmers grow and begin scaling up to the next level.