



Testimony in support of HB 2700A
Ways and Means Subcommittee on Natural Resources
May 21, 2013
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Chairs Unger and Edwards, members of the committee, thank you for your consideration of HB 2700A, a bill that would develop and implement an Oregon Beginning and Expanding Farmer Loan Program to assist beginning and smaller farmers in securing access to capital, land, and equipment.

Under HB 2700A, the Oregon Business Development Department would utilize private activity bonds on which the interest is exempt from federal taxation, to allow lenders to issue lower-interest rate loans for qualifying farmers. Under current federal rules this program would be designed facilitate, such loans would be allowed for:

- up to \$250,000 for the purpose of purchasing depreciable agricultural property (including equipment, livestock, feed, fertilizer and seeds) for any qualifying farmer
- up to \$62,500 on used equipment for first-time farmers
- up to \$501,100 for farmland purchases

HB 2700A does this by allowing Oregon lending institutions to receive a federal tax credit on interest earned when they lend to small and beginning farmers, which can lower interest rates by 25%. Even more, local banks and farmers can “piggy back” this program with existing federal Farm Service Agency small farm lending programs.

Lowering lending costs and improving access to capital for farmers will help with cash flow and the ability to build equity, while creating an economic multiplier effect in rural communities across Oregon as money is spent at feed stores, implement dealerships, livestock and seed suppliers, and more. When a bank has a borrower who qualifies for a farm loan, the bank would apply to Oregon Business Development Department, which would review and approve the application, but not underwrite the loan, nor incur any liability on behalf of Oregon taxpayers.

Oregon needs more robust economic development tools for agricultural lending, particularly if we are to address the issue of an aging farm population, and the high costs of land, to help new and younger farmers make a living. HB 2700A would help meet that by specifically assisting first-time and expanding small farmers.

Farming is a high capital, low margin business. It is especially challenging for new and small farmers to purchase land or expand their operations. It is difficult for many family farms to qualify for loans, and many financial institutions outright refuse to lend to small farm businesses. **Thirty nine states have targeted ag financing programs - Oregon is not currently one of them. Sixteen other states specifically offer ‘Aggie Bond’ lending programs, which HB 2700A is patterned on.** The establishment and implementation of a federal-state, public-private partnership through HB 2700A is a cost-effective way for Oregon to support beginning farmers and facilitate growth in the local market agricultural sector across the state. Assuming sufficient demand, such a program would represent no significant cost or risk to the state.

HB 2700A is not only a priority of Friends of Family Farmers, it is a priority of the Oregon Grows Partnership, an alliance of farm, rural development, local food and food security organizations who represent over a quarter of a million Oregonians who are farmers, small business owners, rural residents and consumers.

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