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March 14, 2019

Testimony in Support of HB 3085 Oregon's Family Farmer Loan Program

Chair Clem, Members of the Committee

Friends of Family Farmers represents small and mid-sized family farmers across Oregon. We are writing in support of HB 3085, a bill to create a new Family Farmer Loan Program.

HB 3085 directs the Oregon Business Development Department, in consultation with the State Department of Agriculture, to create and manage a new Family Farmer Loan Program for the purpose of making loans directly to family farmers, including beginning farmers. This program is intended to supplement or be used as an alternative to the existing Aggie Bonds Beginning and Expanding Farmer Loan Program.

The new Family Farmer Loan Program could be use for purchasing or refinancing farmland, farming equipment, livestock and to make permanent agricultural improvements to agricultural land; or restructure operating debt carryover.

Eligibility would be established by rule but would include provisions that a loan applicant must be an Oregon resident and have a net worth not exceeding \$1.5 million, or \$750,000 if a beginning farmer or rancher. Eligible participants must show that the their principal occupation is or will be the production of agricultural commodities on a family-owned farm and those who are beginning farmers must show that they have not previously owned agricultural land greater in extent than 30 percent of the average size of a parcel of agricultural land that is located in the county in which the applicant proposes to acquire agricultural land.

Applicants must provide information for the department to evaluate eligibility and creditworthiness including: a balance sheet and income and expense statement from the applicant; a forecast of income from the applicant's farming operations if the applicant receives a loan; a history of crop or livestock production for any agricultural land that the applicant proposes to acquire; and an applicant's tax returns and other financial statements for the three years before the date of the application.

Applicants must further demonstrate that they have hazard insurance for all agricultural improvements on the land that serves as security for the loan, naming the State of Oregon as loss payee; and flood insurance for any agricultural land that is located in a flood zone, naming the State of Oregon as loss payee.

To keep annual interest rates and costs low to eligible participants, rates would be set at less than one percent below the current average annual percentage rate in this state for mortgage loans for agricultural land at the time the loan closes, and not more than six percent. Loan terms would not exceed 30 years, and would be capped at \$500,000.

With extensive areas of farmland expected to change hands in coming decades, and rising costs to family farmers, Oregon must do all it can to support continued family farm ownership in this state. In addition, with the average age of farmers and ranchers in Oregon nearly 70 years old, we also need to ensure we are taking steps to assist the next generation of farmers and ranchers. Establishing a dedicated Family Farmer Loan Program at the Oregon Business Development Department to assist with these efforts is an important step that Oregon should take.

Thank you for your consideration,

Ivan Maluski
Policy Director