Statement by

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before the

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Chairman Roberts, Ranking Member Stabenow, Members of the Committee, I am honored by this opportunity to discuss with you the importance of federal farm credit and safety net programs to our nation's young farmers and ranchers. Thank you for giving young farmers a voice here today, and for considering the needs of the next generation within the next farm bill.

My name is Lindsey Lusher Shute. My husband and I own and operate Hearty Roots Community Farm in New York's Hudson Valley. Hearty Roots was started in 2004 on a half-acre of land that was rented to us by retired dairy farmers. Since then, we've grown our farm to serve 900 families with organic vegetables, pastured eggs and pork. We now own and manage 70 acres of conserved farmland and employ 10 farmers.

I am here today to represent the National Young Farmers Coalition (NYFC), an organization that I co-founded in 2010, and where I serve as Executive Director. NYFC represents, mobilizes, and engages young farmers and ranchers to ensure their success. We tackle the most critical structural and economic barriers that prevent motivated young people from starting and growing farm businesses.

In seven years, we've launched 36 farmer-led chapters in 26 states and built a grassroots base of more than 120,000 people. We help young farmers become leaders in their communities, creating strong social networks and ensuring young farmers have a seat at the table within all levels of government. NYFC also provides business services to young farmers-- offering tools, resources, and technical assistance to help them seize market opportunities and navigate challenges. In short, we are young farmers fighting for the future of American agriculture.

Helping young people enter farm careers is critical as America's farm population ages. Farmers over the age of 65 now outnumber farmers under 35 by a margin of 6-to-1, and U.S. farmland is overwhelmingly concentrated in the hands of older farmers, with nearly two-thirds of farmland currently managed by someone over 55. The National Agricultural Statistics Service (NASS) estimates that over the next five years—the lifespan of the next farm bill—nearly 100 million acres of U.S. farmland are expected to change ownership,[1] and will need a new farmer.

Many young Americans want to farm. For only the second time in the last century, the 2012 Census of Agriculture registered an increase in the number of farmers under 35 years old. These millennial farmers are increasingly conservation-minded, more likely to sell directly to consumers, and are minimizing risks by diversifying products and market channels. Young farmers are entrepreneurial and tough, but they are finding that talent and hard work alone may not equate to farm success.

Farmers and ranchers entering the field today face new and heightened challenges, unlike more established farmers and ranchers, and generations past. To begin with, farmland values have increased and continue to be driven up by non-farmer buyers and development pressure, particularly in areas near growing urban markets. Over the past 15 years, farmland real estate values have risen by 150%, and in the period between 2004 and 2013, farmland real estate values more than doubled. According to the Economic Research Service, in 1951, if agricultural rents were the sole source of return from farmland, the farm could pay for itself in 14 years; in 2007, it would have taken 33 years—an indication that our nation's farmland is increasingly being valued for purposes other than agriculture.[2]

As our prime agricultural soils become ever-scarcer and more expensive, young farmers and ranchers also struggle with student loan debt, limited access to health care, and systemic barriers that disadvantage the growing number of women and people of color who are eager to farm. Furthermore, many young farmers like Ben and I are first-generation—meaning we are not inheriting the land, equipment, or network of mentors that are invaluable to launching a farm career. As a result of all of these factors, too many of our most promising young people are unable to meet their family and life goals in farm careers.

The good news is that federal policy and USDA programs are making a difference. Actions by Congress, the USDA, service providers, and business leaders have improved access to training, credit, risk management, conservation opportunities, and even affordable farmland. There are changes that young farmers need in the next farm bill, but my main point is really this: keep going. There is significant momentum toward supporting young and beginning farmers, and we must build on it to overcome the many obstacles ahead for rural America and our food system.

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[1] U.S. Department of Agriculture, Economic Research Service. U.S. Farmland Ownership, Tenure, and Transfer. 2016.

[2] Nickerson, Cynthia; Morehart, Mitchell; Kuethe, Todd; Beckman, Jayson; Ifft, Jennifer; and Williams, Ryan, "Trends in U.S. Farmland Values and Ownership" (2012). Publications from USDA-ARS

IMPROVE CREDIT ACCESS FOR BEGINNING FARMERS

Access to credit and capital are critical to any farmer, and particularly to those just beginning their careers. Rarely do aspiring and beginning farmers have enough liquid assets to purchase or lease all the equipment, inputs, and land they need to launch their operation. Young farmers are less likely to have robust credit histories, and more likely than any previous generation to carry student loan debt into their careers in agriculture. Loans through the Farm Service Agency (FSA), therefore, are critical for young and beginning farmers, and are often the only credit option available to them.

Support beginning farmers with specially trained agents and flexible rules. With that in mind, we have advocated for FSA's outreach to new farmers. FSA's new beginning farmer coordinators are an important way that FSA is learning more about new farm business models and helping young people use federal programs. FSA should be encouraged to continue these activities, and Congress should maintain the flexible FSA experience requirements that were added in the 2014 Farm Bill.

Support FSA cooperative agreements with service providers. Despite these improvements, still too many young farmers are simply unaware of USDA programs, even those programs specifically designed to support them. In 2016, to help bridge this gap, NYFC entered into a cooperative agreement with FSA to educate our network of young farmers on the opportunities offered by FSA loan programs. Within this agreement, we authored a forthcoming guidebook on the history, structure, and options within the FSA loan program, aiming to encourage and embolden young farmers to apply. In addition to the guidebook, we've facilitated eight workshops around the country and have more planned. In these workshops, attendees tour a farm to discuss credit needs, young farmers share their experiences using FSA credit, and a local FSA loan officer presents an overview of loan products. These workshops demystify credit options and introduce FSA staff to local beginning farmers. Our joint outreach efforts with the agency are having a significant effect, and we strongly encourage FSA to continue offering cooperative agreements to improve its communications and reach a new generation of customers.

Fully fund FSA loan programs. The downturn in the U.S. farm economy has placed increased importance on FSA loan programs, and has significantly increased demand. In this environment, any shortfall in funds would be disastrous for farmers, as it was in 2016, when many farmers were waiting on loan funds that either never came, or came late. Financial planning and cashflow management are critical for farmers, and a delay in loans for even a few months can put a farm under. As this Committee looks toward the next farm bill, NYFC strongly recommends, first and foremost, additional funding for loan programs and adequate administrative and personnel funding to implement them and streamline services.

Increase FSA Direct Farm Ownership loan limits. Multiple national surveys conducted by NYFC have indicated that access to farmland is the number one challenge young and aspiring

farmers face, regardless of geography, background, or scale. FSA's Direct Farm Ownership loans can put the dream of farm ownership within reach for many of these farmers. Current statute limits these loans at $300,000, however, which makes them insufficient for many farmers in areas of high real estate prices and volatility, and unable to keep pace with real estate inflation. Overall, farmland real estate values have increased by nearly 40% since the cap was last adjusted in 2008.[3] Although Direct Farm Ownership loans have met their statutory participation rates for beginning farmers (75%) in recent years, they're the only loan program at FSA that has not exhausted its funding, and for which the average loan is the highest relative to its cap. There are undoubtedly a number of reasons this program hasn't spent down its full funding, including a lack of landowners putting farmland on the market and the competition from buyers with private financing, but the high average loan indicates that the cap is also an impediment that can easily be solved. NYFC recommends adequately funding this program, and increasing the loan limit in the next farm bill to $500,000 with a peg to inflation.

Keep FSA microloans. FSA's microlending program is a major success for the agency, and we urge Congress to support it in the next farm bill. In 2011, we called for micro-lending at the USDA to help get young farmers in the door, and in 2013, FSA did just that. With a faster application process and more flexible eligibility and payment terms, the program has made over 20,000 microloans. Microloans are the most popular option for our farmers, and support for the program should be continued in the next farm bill.

Keep FSA operating loan limits in place. Demand for all other FSA loan programs continues to outpace availability, and in FY 2016, all but the Direct Farm Ownership loans expended more than their originally appropriated funds. At the same time, the average loan size across all programs remained well below the statutory caps, particularly among direct and guaranteed operating loans. This indicates a high demand for relatively smaller loans, and that few farms would benefit from an increase in the limit. At the same time, FSA's target participation rates among beginning farmers are currently not being met across all loan programs, most notably within operating loans. In FY 2016, amidst much higher demand from all farmers, beginning farmers received a smaller portion of overall loan funding than the previous year. While NYFC supports access to credit for all farmers, we believe raising the loan limits across the board will primarily benefit larger, more established farms—for whom traditional financing options are more available—while putting young and beginning farmers at a competitive disadvantage.

Continue to serve specialty crop growers with the Farm Storage Facility Loan Program. Our farm holds loans with Farm Credit East, as well as FSA. Needing to be in full compliance with the Food Safety Modernization Act (FSMA), our farm leveraged the Farm Storage Facility Loan (FSFL) program to build an updated wash, pack, and cold storage facility in 2015. The loan process was straightforward and timely, and the FSA staff we worked with were highly supportive. Because we manage our risk through crop diversity and community-supported agriculture (CSA), our state committee provided an exemption from the crop insurance

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[3] U.S. Department of Agriculture, National Agricultural Statistics Service. Land Values 2016 Summary.

requirement. This new facility is making our produce safer and fresher, and our employees are happy with the improved systems and new loading dock. The use of FSFL for our vegetable operation was a major success for our farm, and the use of this program for this purpose should be continued in the next farm bill. Cooperative agreements with service providers like NYFC will continue to increase the number of farmers utilizing the program.

Modernize FSA services to reach the next generation of customers. For many young farmers today, use of technology and the internet are second nature. Too many USDA services, however, remain out of reach or out of touch for millennial farmers, and must be modernized to keep pace with new customers and the rapidly changing industry. In competitive real estate markets, for example, the FSA loan-making process often takes too long for growers to purchase land. Non-farmers with pre-approved mortgages and cash bids can easily outbid working farmers for farmland. The current application process can take longer than 30 days, and funds may not be available for months. Likewise, the current process requires farmers to turn in application forms in person or by mail, which can compound the time and expense required of farmers, particularly in rural areas. To address these barriers, NYFC encourages the Agency—and the USDA as a whole—to improve its business model. FSA must move its loan application and servicing systems completely online, and streamline the application process by creating a system for farmers to pre-qualify for loans. Creating a full-service online portal would give FSA staff more time to work directly with farmers and, most importantly, put FSA on a path to attract the customers of the future.

In his first major farm policy address since taking office, Secretary Perdue told a crowd in Nevada, Iowa, that “if Amazon operated the way USDA does, technology-wise, they’d be out of business.” We are very encouraged by Secretary Perdue’s emphasis on customers, streamlining programs, and modernizing the way the USDA does business.

Invest in financial training for new farmers through BFRDP. For multi-generation young farmers and those from non-farming backgrounds, the importance of financial planning and business training cannot be overstated, nor can they be separated from policy considerations related to credit. Increasing opportunities for young farmers to access training and mentorship will make their startup businesses more viable, make those farmers more credit-worthy, and open up additional avenues to capital. One such program, the Beginning Farmer and Rancher Development Program (BFRDP) provides competitive grants to nonprofits and universities to develop education, extension, outreach, and training initiatives directed at helping new farmers and ranchers. BFRDP funding has been used to develop incubator farm programs, provide business planning and food safety training services, promote innovative farm and ranch transfer strategies, and establish on-farm apprenticeship opportunities to train future farmers and farm laborers. NYFC is a recipient of this funding, and with it we built an online calculator to help farmers compare public and private options for farmland finance. NYFC strongly recommends increasing mandatory baseline funding for BFRDP.

A FARM SAFETY NET FOR THE FUTURE

Farming is a risky enterprise, and uncertainty is part of the business. Young farmers are entering their careers during a significant decline in commodity prices; they also face a changing climate. Here in New York, last April's snow led to nearly total crop loss for many apple growers, and just last month, three of the farmers in our local Hudson Valley chapter were seriously injured due to a microburst. In 2011, Hurricane Irene led to a complete crop loss for many vegetable growers in our region who suffered flooding from nearby streams. Although farmers are diversifying their businesses and farming in a way that increases their resilience to extreme weather, no farmer or policy can completely eliminate the risks. We stand behind risk management tools and a strong safety net that works for all farmers. We encourage the Committee to continue the progress made in the 2014 Farm Bill to improve beginning farmer access to crop insurance and disaster assistance programs, to help farmers save money and manage their own risk from year to year, and to be mindful of program impacts on sector health.

Continue beginning farmer crop insurance discounts and improvements to the Noninsured Crop Disaster Assistance Program (NAP), and reauthorize NAP buy-up coverage. Congress made a number of improvements to NAP in the 2014 Farm Bill, including the option for farmers to pay a premium for coverage up to 65% of the approved yield at 100% of the average market price—so-called NAP Buy-Up. Congress also included administrative and premium discounts for beginning and historically underserved farmers. According to the USDA's Economic Research Service, NAP applications doubled in the year after these changes were implemented. For many young farmers in our network, NAP is one of the only risk management products that is applicable to their operations, and in some cases is the coverage they would need in order to secure a loan with FSA. We encourage the Committee to reauthorize these buy-up provisions to keep this important program working. We also encourage FSA and Members of Congress to improve the process and administrative efficiency of NAP, particularly for small-acreage farms growing high-value specialty crops.

Support Whole Farm Revenue Protection (WFRP). Most young farmers today start at a smaller scale, grow a diversity of crops and livestock, sell directly to consumers, and are more likely than previous generations to use organic farming practices. For these reasons, farmers in our network struggled to find a crop insurance option that was a good fit for their farms. We were encouraged when Congress directed RMA to create a new revenue-based crop insurance product for diversified farms. With its coverage based on revenue rather than acreage or yield, WFRP holds strong possibilities for young farmers, and it's now available in every state and county in the country. We urge the Committee to fully support this program in the next farm bill, and continue to improve its functionality and accessibility for farmers.

Support saving as a risk management tool. As Congress and the USDA continue to expand crop insurance and disaster assistance options to a broader range of farmers and crops, they should also consider other straightforward ways to help farmers prepare for difficult times ahead. For CSA farms like ours, for instance, where our customers pay for their membership

before each season and receive weekly shares of farm goods throughout the year, even the most flexible crop insurance models can be difficult to work with, and may not make sense.

While traditional farm safety net programs are critical, NYFC recommends that Congress explore new ways to help farmers save for bad times. The creation of special tax-free or tax-deferred savings accounts for farmers would incentivize year-to-year financial management, and create a low-cost safety net for farmers to manage risk and invest in the future during seasons of high prices and high yields. For many farmers, even a small cushion can make a big difference in a difficult year. We recommend that farmers have an option similar to a Health Savings Account, where they could save up to a specified amount on an annual basis. We encourage Congress to make such a program also available to farm workers, as a means to save for future farms.

Examine the significant sector-wide risk of farmland transition and program impact. We must also be holistic in our assessment of risk management beyond insurance products. Risk must, ultimately, be managed across the agricultural sector. Because nearly two-thirds of farmland in the U.S. is going to need a new farmer in the coming decade, we see the issue of farmland transition as a significant, looming risk to the farm economy and rural America. The challenge of farmland access is shared among all farmers: farmers who rent, farmers ready to buy, and even farmers from multi-generational farm families. We urge Members of the Committee to continue to examine this significant risk to our economy and food system in full, including the impact that federal programs may have on the availability and price of farmland. Programs like the Agricultural Conservation Easement Program (ACEP) that protect farmland and support transition to the next generation should be prioritized and greatly expanded. We must keep our farmers in business today while promoting opportunities for future generations.

I thank the Chairman and Ranking Member for the opportunity to testify today, and I look forward to answering any questions that you may have.