

**Statement of Justin D. Doerr
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**Hearing on Formulation of the 2012 Farm Bill: Credit Programs
Subcommittee on Department Operations, Oversight, and Credit
House Committee on Agriculture**

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Good morning Chairman Fortenberry, Ranking Member Fudge, and members of the House Agriculture Subcommittee on Department Operations, Oversight, and Credit. Thank you for the opportunity to testify about the value of federal credit programs that are absolutely critical in helping beginning farmers get started in agriculture. I believe these credit programs and other programs targeted specifically at new farmers are very important investments the farm bill can make in ensuring that young farmers like myself have the tools and resources they need so we can successfully contribute to our local farm economies, spur rural economic development, preserve our natural resource base, and do our part in ensuring our nation's food security.

My name is Justin Doerr, and I am a beginning farmer from Nebraska and an Iraq War Veteran. I grew up on a small farm in Plainview where we raised hogs, cattle, and some hay. After high school I joined the Army and moved to Texas. During this time, things got tough on the farm so Dad sold the livestock and rented out the farm ground. When I got back from the service I wanted to move home and farm. What I found later was I had the desire to farm but did not have the means, as I lacked the capital and resources to begin farming after the folks sold their operation.

Instead of immediately pursuing my plan of farming, I went to college and began working for a hospital as a CAD Designer. During this time I began laying the foundation for my future farming operation. My farm got its start after I found 40 acres of hay ground to rent from a neighbor. I borrowed equipment from Dad to harvest the hay; then sold it to a local cattle feeder. With the money I made from the sale, I was able to rent an additional 10 acres from my parents and sow it to alfalfa hay. With the revenue I made from the new alfalfa field, I was able to purchase 30 sheep and feed them through the winter. This spring, I was able to rent an additional 80 acres of farm ground that I will be planting to corn and soybeans.

CRP-TIP

When I finally decided I wanted to make a career out of farming over 6 years ago, I ran into several obstacles as a beginning farmer, despite the fact that I came from a farm background. Accessibility to land is likely the first obstacle that many who wish to farm will face. With current land prices skyrocketing in my area, and in most farming regions across the country, it is often extremely difficult to find affordable farmable ground that you can rent at a price that will cash flow.

When I was looking for ground to add to my operation, one farm bill program I was interested in using was the *Conservation Reserve Program - Transition Incentive Program (CRP-TIP)*. The aim of this federal program is to connect beginning farmers with retiring farmers who own farmland that is coming out of the Conservation Reserve Program. The program also requires good conservation on the part of the new farmer or rancher.

Since starting in 2010, demand for this program has grown tremendously and over 1,600 beginning farmers have used this program to access over 260,000 acres of farmland to begin or expand their farming operation, including 145 farmers on over 15,000 acres in my own state of Nebraska.

Unfortunately, as of early this spring, all of the funding provided by the 2008 Farm Bill for this program has been obligated, so even if I was able to find acres to rent, I would be unable to encourage that landowner to work with me through this incentive. Demand for this program will only continue to increase in the coming years, as more land begins to come out of the CRP and back into production. In order to make sure funds for this program continue to be available for any beginner that wants to take advantage of this program to access land to start their farming operation, Congress needs to ensure adequate funding is secured in the upcoming farm bill so that FSA does not run out of funding midway through the next five-year farm bill cycle.

I also found that it was hard to find ground that was eligible for the program. Although there are some federal efforts to provide searchable databases to connect retiring landowners with beginning farmers, there isn't an efficient way to find the CRP land that is under a contract about to expire. While you can look at a plat map to determine who owns the land, there is no way of knowing when the CRP contract expires. The FSA needs to improve outreach in this regard and find a localized and direct way to bring beginning farmers and CRP landowners together.

Down Payment Loans

As a beginning farmer, access to capital is also very important and crucial to the success of almost any farming operation, and oftentimes access to farm land hinges on whether or not a new farmer is able to get a loan to buy land if and when farm land comes up for sale. After speaking with my local commercial banker, I was told if I was interested in purchasing land I would need to put have at least a 30 percent down payment on the purchase price of the land. The down payment, by itself, immediately prices me out of almost every farm land real estate market. This will prove true for most young farmers who are just starting out and lack the accrued savings necessary to be able to put money down towards a down payment.

One federal program that can be extremely helpful to young farmers like myself who are unable to make a substantial down payment is the *Down Payment Loan Program*, which is a joint-financing direct farm ownership loan program administered by the Farm Service Agency. This federal program makes loans specifically to beginning and socially disadvantaged farmers and ranchers and requires a lower down payment than most commercial farm ownership loans.

Under this program, a beginning farmer provides a 5 percent (rather than the more typical 30 percent) down payment, and the rest of the loan principal is split between the Farm Service Agency and a private lender. This excellent farm bill program helps beginning farmers enter the real estate market that otherwise is more often than not beyond their reach.

Since 1994, the Down Payment Loan Program has helped over 5,000 new farmers across the country purchase farms. Given scarce federal resources, it would be extremely helpful if priority be given to these and other joint financing loans, thereby allowing the Farm Service Agency to provide the greatest amount of financial assistance to beginning farmers for a given amount of federal funding. By leveraging commercial loans with federal dollars, the taxpayer would get the most

“bang for the buck” by helping the most number of farmers access credit needed to purchase farm land.

The Beginning Farmer and Rancher Opportunity Act includes such a priority for participation loans and it would be very helpful for this Committee to include that provision in the new farm bill. The Opportunity Act also increases the value of farmland that may be financed through Down Payment loans, another provision that should be incorporated into the new farm bill.

Individual Development Accounts

In addition to the rising value of farm land across the country, the current rise in the cost of livestock and farm equipment can also become cost prohibitive to new farmers looking to purchase additional breeding stock or crucial pieces of equipment for their farming operations. Often times the same or very similar inputs and equipment are needed by a beginning farmer as are needed by a more established operation. The beginning farmer, however, often purchases the inputs and equipment at a higher price than a larger established operation that can buy in larger quantities.

The *Beginning Farmer and Rancher Individual Development Accounts* program is another farm bill credit program that can offer a solution to these types of financial obstacles. This innovative matched savings program has been around since the 2008 Farm Bill, but despite annual funding requests by USDA, it unfortunately has yet to receive an appropriation and thus has not been available as a potential resource for young farmers who lack the capital to purchase inputs or save up for a down payment for their first farm.

This matched savings account, modeled after a similar program that has been successful in helping urban and rural residents save up for a down payment on their first home, would help beginning farmers save and accrue capital needed to purchase additional livestock, farm inputs or that crucial piece of equipment when their operations need it. I would urge this Committee to include farm bill funding for this innovative IDA program.

FSA Microloans

When I needed an operating loan to cover some of the daily expenses associated with operating a farm, I first applied for a loan through the Farm Service Agency. The paperwork during the application process was almost overbearing, but the biggest thing that was keeping me from getting a loan through FSA was the uncertainty of whether federal financing would even be available. Even if my application had been approved as a beginning farmer loan applicant, federal appropriations had not yet been passed and the amount and timing of funds available for federal loan programs were unclear.

If I had been working with a landlord and negotiated a fair rental payment, the last thing I want to tell them is to wait additional months for their first rent check because my operating loan hadn't been funded yet. The landlord already assumes risk when they choose to rent to a beginning farmer and are doing a great service to the next generation of farmers. It would most certainly be easier and involve less risk for landowners to simply rent to a larger, well-capitalized operation that can spread its expenses over many acres.

While there may not be an easy cure for appropriations bills being passed well after the start of the fiscal year, one important item in the Beginning Farmer and Rancher Opportunity Act that could help people in my position is the proposed new *Microloan* program. Under this provision, smaller loans could be made, with less delay and less paperwork, to assist young and beginning farmers whose credit needs may often be more urgent but also considerably more modest than other borrowers. Authorizing microloans within the direct operating loan program is a simple but important step this Committee could take to improve credit availability for new farmers.

Whole Farm Crop Insurance

Another obstacle I have run into with my operation is the availability of crop insurance for beginners and particularly for beginners with diversified operations. One way I've found I can keep my operation financially viable in these crucial first few years is to participate in niche markets that command a higher price premium, such as sheep and forage production. I would like to expand my alfalfa hay acres but I am unable to cover my risk with the current array of crop insurance policies available in my area.

Producers of diversified, non-commodity crops and livestock need to be able to manage their risks just the same as commodity producers do under the current suite of farm safety net programs. A crop insurance policy that offers a whole farm revenue protection plan to protect against low revenue due to unavoidable natural disasters and market fluctuations would allow me to insure all the crops I grow on my farm, including my alfalfa for which I'm currently not able to buy coverage.

Although there are some products that are currently available for diversified operations, they are not available nationwide. A whole farm revenue insurance policy that is available universally across the country would allow me to cover my risk in the event of loss. Adequate risk management strategies are especially critical for beginning farmers, as they have limited equity to back them up when they suffer a loss. I understand there is a proposal for *Whole Farm Risk Management Insurance* in the Senate Committee-passed farm bill, which I would urge you to support.

Veterans

I mentioned earlier, when I finished my time with the Army I wanted to come home and farm, and what I found was I did not have the means. To find resources, government programs, and organizations that were available to help me get started I relied heavily on Google. Having a dedicated staff within the Department of Agriculture – such as the *Veterans Agricultural Liaison* proposal in the Beginning Farmer and Rancher Opportunity Act – would have helped someone in my position to access the tools and resources necessary to begin my farm business plan. I would have had someone who could have helped me navigate the web of federal programs that might assist military veterans who are interested in farming, and who would advocate for programs and policies that serve the interests of our nation's veterans. The Senate Agriculture Committee's Farm Bill wisely includes a position charged with educating returning veterans about new farmer training and education programs and how they interface with veterans programs.

Beginning Farmer and Rancher Development Program

The *Beginning Farmer and Rancher Development Program* (BFRDP) is the centerpiece of farm bill support for the next generation of farmers. BFRDP provides grants to institutions and

organizations that provide training, education, and outreach programs to beginning farmers across the country. Projects can include financial and business training programs, risk management education, marketing strategies, mentoring and apprenticeship programs, and “land link” programs that connect beginning farmers with retiring landowners.

To date, the program has enabled 105 educational institutions and organizations to assist new farmers in 48 states across the country, and has been incredibly successful in ensuring that the next generation of farmers is armed with the knowledge, training, and resources they need to establish financial viable farming operations.

I am pleased to hear that the farm bill approved by the Senate Agriculture Committee includes a new priority on veteran farmers to ensure training and agricultural rehabilitation programs are targeted to our specific needs as veterans. This is a welcome addition.

Funding for the program needs to keep pace with demand. The Senate Committee-passed farm bill would unfortunately cut funding in half from current levels. There could be no higher priority in my opinion than for this Committee to increase rather than decrease funding for the Beginning Farmer and Rancher Development Program.

The good news is more young people are interested in farming careers now than in quite some time, and I am pleased to say that number includes quite a few returning veterans. Now is not the time to close the door on the training and linking programs these young farmers need. I urge you to grasp the opportunity to not only continue the BFRDP, but to modestly increase its funding per year so that more young farmers can be served and we can begin to reverse the ongoing aging of American agriculture before it is too late.

Conclusion

When I decided I wanted to farm, the prospects looked rather dire. When I looked across the landscape all I saw was large equipment and even larger farms. I wasn’t sure if there would be room in the farm environment for me. How was I going to be able to compete? I have found through hard work, determination, and creativity there is still some room for a beginner. It isn’t easy. I am working three jobs to help get my operation going. I am slowly building capital, paying off expenses and investing sweat equity into my farm. At the moment my farm is fragile. If land values continue to climb and if commodity prices begin to slip, things will get real hard for me. And it will not matter how many jobs I am working to get my farm a start.

That is why it is important to *include the provisions from the Beginning Farmer and Rancher Opportunity Act into the 2012 Farm Bill*. I congratulate Representative Walz and Chairman Fortenberry for introducing this important legislation, and for so many other Members of the Committee for co-sponsoring it. As beginning farmers, our needs are great and the competition is stiff and heavily subsidized. The provisions in the bill are cross-cutting and address access to credit, land, conservation programs, training programs and more. Together, these provisions will provide many of the necessary tools to strengthen my farm and make it more viable during my early years.