Agriculture Secretary Tom Vilsack announced Jan. 15 a new microloan program from the U.S. Department of Agriculture designed to help small and family operations, beginning and socially disadvantaged farmers secure loans under $35,000.

The new microloan program is aimed at bolstering the progress of producers through their start-up years by providing needed resources and helping to increase equity so farmers may eventually graduate to commercial credit and expand their operations. The microloan program will also provide a less burdensome, more simplified application process in comparison to traditional farm loans.

“I have met several small and beginning farmers, returning veterans and disadvantaged producers interested in careers in farming, who too often must rely on credit cards or personal loans with high interest rates to finance their start-up operations,” said Vilsack.

“By further expanding access to credit to those just starting to put down roots in farming, USDA continues to help grow a new generation of farmers, while ensuring the strength of an American agriculture sector that drives our economy, creates jobs and provides the most secure and affordable food supply in the world.”

The new microloans, said Vilsack, represent how USDA continues to make year-over-year gains in expanding credit opportunities for minority, socially-disadvantaged and young and beginning farmers and ranchers across the United States. The final rule establishing the microloan program was scheduled to be published in the Jan. 17 issue of the Federal Register.

Administered through USDA’s Farm Service Agency Operating Loan Program, the new microloan program offers credit options and solutions to a variety of producers. FSA has a long history of providing agricultural credit to the nation’s farmers and ranchers through its Operating Loan Program.

In assessing its programs, FSA evaluated the needs of smaller farm operations and any unintended barriers to obtaining financing. For beginning farmers and ranchers, for instance, the new microloan program offers a simplified loan application process.

In addition, for those who want to grow niche crops to sell directly to ethnic markets and farmers markets, the microloan program offers a path to obtain financing.

For past FSA Rural Youth Loan recipients, the microloan program provides a bridge to successfully transition to larger-scale operations.

Since 2009, USDA has made a record amount of farm loans through FSA—more than 128,000 loans totaling nearly $18 billion. USDA has increased the number of loans to beginning farmers and ranchers from 11,000 loans in 2008 to 15,000 loans in 2011. More than 40 percent of USDA's farm loans now go to beginning farmers. In addition, USDA has increased its lending to socially-disadvantaged producers by nearly 50 percent since 2008.

Producers can apply for a maximum of $35,000 to pay for initial start-up expenses such as hoop houses to extend the growing season, essential tools, irrigation, delivery vehicles and annual expenses such as seed, fertilizer, utilities, land rents, marketing and distribution expenses.

As their financing needs increase, applicants can apply for an operating loan up to the maximum amount of $300,000 or obtain financing from a commercial lender under FSA's Guaranteed Loan Program.

USDA farm loans can be used to purchase land, livestock, equipment, feed, seed and supplies, or be used to construct buildings or make farm improvements.

Small farmers often rely on credit cards or personal loans, which carry high interest rates and have less flexible payment schedules, to finance their operations. Expanding access to credit, USDA's microloan will provide a simple and flexible loan process for small operations.

Producers interested in applying for a microloan may contact their local Farm Service Agency office.

The Obama administration, with Agriculture Secretary Vilsack's leadership, has worked tirelessly to strengthen rural America, maintain a strong farm safety net and create opportunities for America's farmers and ranchers. U.S. agriculture is currently experiencing one of its most productive periods in American history thanks to the productivity, resiliency and resourcefulness of U.S. producers.

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