



July 24, 2012

Director, Loan Making Division
Farm Service Agency
U.S. Department of Agriculture
1400 Independence Avenue SW, Stop 0522
Washington, DC 20250-0522

Re: RIN 0560-AI17: Microloan Operating Loans

Federal Register Vol. 77, No. 102
Friday, May 25, 2012; pp. 31220-31226

To Whom It May Concern:

On behalf of the 200,000 family farmer, rancher and rural resident members of National Farmers Union (NFU), I am pleased to have the opportunity to respond to the request for comments on the Farm Service Agency's (FSA) proposed modifications to the Operating Loan (OL) application, eligibility and security requirements for microloans (ML). I commend you for your efforts to make small loans, up to \$35,000, more accessible to all farmers and ranchers, but particularly to those who are small in scale or just beginning their operations.

NFU is a federated, grassroots organization that was formed in 1902 with the goal of protecting and enhancing the well-being and quality of life for family farmers, ranchers, fishers and their rural communities. Farmers Union members believe that the ability of the next generation of family farmers to continue to produce food and fiber is critical to the economy, health and security of our nation and local communities. In order to address this critical concern, the necessary programs must be in place and funded to meet the unique needs and barriers facing beginning farmers and ranchers, with special emphasis on returning military veterans, and ensure they can enter and sustain farming or ranching as a viable livelihood.

For this reason, NFU policy supports the creation of a new ML category within the existing OLs to provide flexible capital to beginning farmers and ranchers. NFU also supports efforts to simplify and streamline farm programs and applications, as outlined in the rule, to ensure that farmers do not need to spend excessive amounts of time on their applications. The proposed modifications to the yield reporting requirements will prevent diversified farmers growing a wide variety of produce, for example, from demonstrating inaccurate yields. Additionally, decreasing the collateral requirement from 150 percent of the loan amount to 100 percent effectively secures the loan while allowing farmers with limited assets to access credit.

NFU also supports the proposed changes to the managerial ability requirement for ML applicants, adding as eligible experience involvement with an agriculture-related organization that demonstrates experience, or seeking, receiving and applying guidance on how to manage a start-up farm operation under an apprenticeship relationship. If we are going to have a viable agricultural future in the United States, we will need to acknowledge that the next generation of farmers may not necessarily come from a rural background and encourage prospective farmers to gain experience in a variety of ways. The proposed modifications recognize and encourage this trend.

NFU seeks one point of clarity on the ML proposal. FSA direct OLs and guaranteed OLs are subject to existing term limits of seven years and fifteen years, respectively. I assume that the proposed MLs will fall under the same seven year limit as other direct OLs; however, clarification on this point is needed. NFU policy supports the elimination of term limits for all non-delinquent borrowers.

Access to credit is one of the greatest challenges that beginning farmers and ranchers face, and I commend the Department for proposing one common-sense way to help alleviate the problem. Thank you for your consideration, and I look forward to continuing to work with you to ensure the future of family agriculture is bright.

Sincerely,



Roger Johnson
President