

110TH CONGRESS
1ST SESSION

S. 1460

To amend the Farm Security and Rural Development Act of 2002 to support beginning farmers and ranchers, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 23, 2007

Mr. HARKIN (for himself, Mr. GRASSLEY, Mr. BAUCUS, and Mr. BROWN) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To amend the Farm Security and Rural Development Act of 2002 to support beginning farmers and ranchers, and for other purposes.

1 *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Beginning Farmer and Rancher Opportunity Act of
6 2007”.

7 (b) TABLE OF CONTENTS.—The table of contents for
8 this Act is as follows:

See. 1. Short title; table of contents.

See. 2. Beginning farmer and rancher development program.

Sec. 3. Beginning farmer and rancher individual development accounts pilot program.
Sec. 4. Down payment loan program.
Sec. 5. Beginning farmer or rancher contract land sales program.
Sec. 6. Inventory sales preferences.
Sec. 7. Agricultural loans.
Sec. 8. Loan authorization levels and fund set-asides.
Sec. 9. Soil and water conservation and protection.
Sec. 10. Conservation Reserve Program transition incentives.
Sec. 11. Conservation cost sharing.
Sec. 12. Research programs.
Sec. 13. Risk management education for beginning farmers or ranchers.

**1 SEC. 2. BEGINNING FARMER AND RANCHER DEVELOPMENT
2 PROGRAM.**

3 (a) GRANTS.—Section 7405(c) of the Farm Security
4 and Rural Investment Act of 2002 (7 U.S.C. 3319f(c))
5 is amended—

6 (1) in paragraph (1)—

7 (A) in subparagraph (I), by inserting “, in-
8 cluding energy conservation and efficiency” be-
9 fore the semicolon; and

10 (B) in subparagraph (K), by inserting “,
11 including transition to organic and other
12 source-verified and value-added alternative pro-
13 duction and marketing systems”;

14 (2) by striking paragraph (3) and inserting the
15 following:

16 “(3) MAXIMUM TERM AND SIZE OF GRANT.—

17 “(A) IN GENERAL.—A grant under this
18 subsection shall—

19 (i) have a term that is not more than
20 3 years; and

1 “(ii) be in an amount that is not more
2 than \$250,000 a year.

3 “(B) CONSECUTIVE GRANTS.—An eligible
4 recipient may receive consecutive grants under
5 this subsection.”;

6 (3) by redesignating paragraphs (5) through
7 (7) as paragraphs (9) through (11), respectively;

8 (4) by inserting after paragraph (4) the fol-
9 lowing:

10 “(5) EVALUATION CRITERIA.—In making
11 grants under this subsection, the Secretary shall
12 evaluate—

13 “(A) relevancy;

14 “(B) technical merit;

15 “(C) achievability;

16 “(D) the expertise and track record of the
17 principal partners;

18 “(E) the adequacy of plans for
19 participatory evaluation process, outcome-based
20 reporting, and the communication of findings
21 and results beyond the immediate target audi-
22 ence; and

23 “(F) other appropriate factors, as deter-
24 mined by the Secretary.

1 “(6) REGIONAL BALANCE.—In making grants
2 under this section, the Secretary shall, to the max-
3 imum extent practicable, ensure geographic diver-
4 sity.

5 “(7) ORGANIC CONVERSION.—The Secretary
6 may make grants under this section to support
7 projects that provide comprehensive technical assist-
8 ance to beginning farmers or ranchers who are in
9 the process of converting to certified organic produc-
10 tion.

11 “(8) PRIORITY.—In making grants under this
12 section, the Secretary shall give priority to partner-
13 ships and collaborations that are led by or include
14 non-governmental and community-based organiza-
15 tions with expertise in new farmer training and out-
16 reach.”; and

17 (5) in paragraph (9) (as redesignated by para-
18 graph (3))—

19 (A) in subparagraph (B), by striking
20 “and” at the end;

21 (B) in subparagraph (C), by striking the
22 period and adding “; and”; and

23 (C) by adding at the end the following:

24 “(D) farmers or ranchers that are refugees
25 or immigrants (as those terms are defined in

1 section 101(a) of the Immigration and Nation-
2 ality Act (8 U.S.C. 1101(a)).”.

3 (6) EDUCATION TEAMS.—Section 7405(d)(2) of
4 the Farm Security and Rural Investment At of 2002
5 (7 U.S.C. 3319f(d)(2)) is amended by inserting
6 “and including sustainable and organic farming pro-
7 duction and marketing methods” before the period
8 at the end.

9 (b) STAKEHOLDER INPUT.—Section 7405(f) of the
10 Farm Security and Rural Investment At of 2002 (7
11 U.S.C. 3319f(f)) is amended—

12 (1) by redesignating paragraphs (1) through
13 (3) as subparagraphs (A) through (C), respectively,
14 and indenting appropriately;

15 (2) by striking “In carrying out” and inserting
16 the following:

17 “(1) IN GENERAL.—In carrying out”; and

18 (3) by adding at the end the following:

19 “(2) REVIEW PANELS.—In forming review pan-
20 els to evaluate proposals submitted under this sec-
21 tion, the Secretary shall include individuals from the
22 categories described in paragraph (1).”.

23 (c) FUNDING.—Section 7405(h) of the Farm Secu-
24 rity and Rural Investment At of 2002 (7 U.S.C. 3319f(h))
25 is amended to read as follows:

1 “(h) FUNDING.—

2 “(1) IN GENERAL.—On October 1, 2007, and
3 on each October 1 thereafter through October 1,
4 2011, out of any funds in the Treasury not other-
5 wise appropriated, the Secretary of the Treasury
6 shall transfer to the Secretary to carry out this sec-
7 tion \$25,000,000, to remain available for 2 fiscal
8 years.

9 “(2) RECEIPT AND ACCEPTANCE.—The Sec-
10 retary shall be entitled to receive, shall accept, and
11 shall use to carry out this section the funds trans-
12 ferred under paragraph (1), without further appro-
13 priation.

14 “(3) LIMITATION.—The Secretary shall use not
15 more than 10 percent of the total funds made avail-
16 able under paragraph (1) to carry out subsections
17 (d) and (e).”.

18 SEC. 3. BEGINNING FARMER AND RANCHER INDIVIDUAL
19 DEVELOPMENT ACCOUNTS PILOT PROGRAM.

20 The Consolidated Farm and Rural Development Act
21 is amended by adding after section 333A (7 U.S.C. 1983a)
22 the following:

1 "SEC. 333B. BEGINNING FARMER AND RANCHER INDIVIDUAL
2 DEVELOPMENT ACCOUNTS PILOT
3 PROGRAM.

4 "(a) DEFINITIONS.—In this section:

5 “(1) DEMONSTRATION PROGRAM.—The term
6 ‘demonstration program’ means a demonstration
7 program carried out by a qualified entity under the
8 pilot program established in subsection (b)(1).

9 “(2) ELIGIBLE PARTICIPANT.—The term ‘eligible
10 participant’ means a qualified beginning farmer
11 or rancher that—

12 “(A) has knowledge, experience, and a
13 demonstrated commitment to agriculture;

14 “(B) lacks significant financial resources
15 or assets; and

16 “(C) has an income that is less than—

24 “(3) INDIVIDUAL DEVELOPMENT ACCOUNT.—
25 The term ‘individual development account’ means a
26 savings account described in subsection (b)(4)(A).

1 “(4) QUALIFIED ENTITY.—

2 “(A) IN GENERAL.—The term ‘qualified
3 entity’ means—

4 “(i) 1 or more organizations—

5 “(I) described in section
6 501(c)(3) of the Internal Revenue
7 Code of 1986; and

8 “(II) exempt from taxation under
9 section 501(a) of such Code; or

10 “(ii) a State, local, or tribal govern-
11 ment submitting an application jointly with
12 an organization described in clause (i).

13 “(B) NO PROHIBITION ON COLLABORA-
14 TION.—An organization described in subpara-
15 graph (A)(i) may collaborate with a financial
16 institution or for-profit community development
17 corporation to carry out the purposes of this
18 section.

19 “(b) PILOT PROGRAM.—

20 “(1) IN GENERAL.—The Secretary shall estab-
21 lish a pilot program to be known as the ‘New Farm-
22 er Individual Development Accounts Pilot Program’
23 under which the Secretary shall work through qual-
24 fied entities to establish demonstration programs—

25 “(A) of at least 5 years in duration; and

1 “(B) in at least 15 States.

2 “(2) COORDINATION.—The Secretary shall op-
3 erate the pilot program through, and in coordination
4 with the farm loan programs of, the Farm Service
5 Agency.

6 “(3) RESERVE FUNDS.—

7 “(A) IN GENERAL.—Each demonstration
8 program shall establish a reserve fund con-
9 sisting of a non-Federal match of 25 percent of
10 the total amount of the grant awarded to the
11 demonstration program under this section.

12 “(B) FEDERAL FUNDS.—After a dem-
13 onstration program has deposited in the reserve
14 fund the non-Federal matching funds described
15 in subparagraph (A), the Secretary shall pro-
16 vide to the demonstration program for deposit
17 in the reserve fund the total amount of the
18 grant awarded under this section.

19 “(C) USE OF FUNDS.—Of the Federal
20 funds deposited in a reserve fund under sub-
21 paragraphs (A) and (B), a demonstration pro-
22 gram—

23 “(i) may use up to 20 percent for ad-
24 ministrative expenses; and

1 “(ii) shall use the remainder to make
2 matching awards described in paragraph
3 (4)(B)(ii)(I).

4 “(D) INTEREST.—Any interest earned on
5 amounts in a reserve fund established under
6 subparagraph (A) may be used as additional
7 matching funds for, or to administer, the dem-
8 onstration program.

9 “(E) GUIDANCE.—The Secretary shall im-
10 plement guidance regarding the investment re-
11 quirements of reserve funds established under
12 this paragraph.

13 “(4) INDIVIDUAL DEVELOPMENT ACCOUNTS.—

14 “(A) IN GENERAL.—A demonstration pro-
15 gram shall establish and administer an indi-
16 vidual development account for each eligible
17 participant.

18 “(B) CONTRACT REQUIREMENTS.—To be
19 eligible to receive funds under this section, each
20 eligible participant shall enter into a contract
21 with a demonstration program under which—

22 “(i) the eligible participant shall
23 agree—

24 “(I) to deposit a certain amount
25 of funds of the eligible participant in

1 a personal savings account, as pre-
2 scribed by the contractual agreement
3 between the eligible participant and
4 the demonstration program;

1 opment account established for the el-
2 igible participant;

18 “(D) FORFEITS.—Any amounts forfeited
19 under subparagraph (B)(i)(III) shall be re-
20 turned to the reserve fund of the demonstration
21 program.

22 “(E) INTEREST.—Any interest earned on
23 amounts in an individual development account
24 shall be compounded with amounts otherwise

1 deposited in the individual development ac-
2 count.

3 **“(F) TREATMENT OF FUNDS.—**

4 **“(i) IN GENERAL.—**Of the funds de-
5 scribed in this paragraph, only the funds
6 deposited by the eligible participant in a
7 personal savings account under subpara-
8 graph (A)(i)(I) (including interest accruing
9 on those funds) may be considered to be
10 income.

11 **“(ii) DETERMINATION OF ELIGIBILITY**
12 **AND AMOUNT.—**For purposes of deter-
13 mining eligibility for, or the amount of as-
14 sistance provided under, any need-based
15 Federal or federally-assisted program,
16 amounts held in an individual development
17 account shall be excluded.

18 **“(5) ELIGIBLE EXPENDITURES.—**

19 **“(A) IN GENERAL.—**An eligible expendi-
20 ture described in this subparagraph is an ex-
21 penditure—

22 **“(i)** to purchase farmland;

23 **“(ii)** to make a down payment on an
24 accepted purchase offer for farmland;

1 “(iii) to make mortgage payments for
2 up to 180 days after the date of purchase
3 of farmland;

4 “(iv) to purchase farm equipment or
5 production, storage, or marketing infra-
6 structure;

7 “(v) to purchase breeding stock;

8 “(vi) to purchase fruit or nut trees or
9 trees to harvest for timber;

10 “(vii) to purchase other assets that
11 improve the financial viability of the farm-
12 ing operation;

13 “(viii) to make a transition to organic
14 production;

15 “(ix) to pay training or mentorship
16 expenses to facilitate specific entrepre-
17 neurial agricultural activities; and

18 “(x) for other similar expenditures, as
19 determined by the Secretary.

20 “(B) TIMING.—

21 “(i) IN GENERAL.—An eligible ex-
22 penditure may be made at any time during
23 the 2-year period beginning on the date on
24 which the last matching funds are provided
25 under paragraph (4)(B)(ii)(I).

1 “(ii) UNEXPENDED FUNDS.—Funds
2 remaining in an individual development ac-
3 count after the period described in clause
4 (i) shall revert to the reserve fund of the
5 demonstration program.

6 “(c) APPLICATIONS.—

7 “(1) ANNOUNCEMENT OF DEMONSTRATION
8 PROGRAMS.—Not later than 180 days after the date
9 of enactment of this section, the Secretary shall—

10 “(A) publicly announce the availability of
11 funding under this section for demonstration
12 programs; and

13 “(B) ensure that applications to carry out
14 demonstration programs are widely available to
15 qualified entities.

16 “(2) SUBMISSION.—Not later than 270 days
17 after the date of enactment of this section, a qual-
18 ified entity may submit to the Secretary an applica-
19 tion to carry out a demonstration program.

20 “(3) CRITERIA.—In considering whether to ap-
21 prove an application to carry out a demonstration
22 program, the Secretary shall assess—

23 “(A) the degree to which the demonstra-
24 tion program described in the application is

1 likely to aid eligible participants in successfully
2 pursuing new farming opportunities;

3 “(B) the experience and ability of the
4 qualified entity to responsibly administer the
5 project;

6 “(C) the experience and ability of the
7 qualified entity in recruiting, educating, and as-
8 sisting eligible participants to increase economic
9 independence and pursue or advance farming
10 opportunities;

11 “(D) the aggregate amount of direct funds
12 from non-Federal public sector and private
13 sources that are formally committed to the
14 demonstration program as matching contribu-
15 tions;

16 “(E) the adequacy of the plan for pro-
17 viding information relevant to an evaluation of
18 the demonstration program; and

19 “(F) such other factors as the Secretary
20 considers to be appropriate.

21 “(4) PREFERENCES.—In considering an appli-
22 cation to conduct a demonstration program under
23 this part, the Secretary shall give preference to an
24 application from a qualified entity that—

25 “(A) demonstrates—

1 “(i) a track record of serving targeted
2 clients; and

3 “(ii) expertise in dealing with financial
4 management aspects of farming; or

5 “(B)(i) targets underserved and socially
6 disadvantaged farmers or ranchers; and

7 “(ii) demonstrates a track record of reaching
8 and serving those clients.

9 “(5) APPROVAL.—

10 “(A) IN GENERAL.—Not later than 1 year
11 after the date of enactment of this section, in
12 accordance with this section, the Secretary
13 shall, on a competitive basis, approve such applications
14 to conduct demonstration programs
15 as the Secretary considers appropriate.

16 “(B) DIVERSITY.—The Secretary shall ensure, to the maximum extent practicable, that
17 approved applications involve demonstration
18 programs for a range of geographic areas and
19 diverse populations.

21 “(6) TERM OF AUTHORITY.—If the Secretary
22 approves an application to carry out a demonstration
23 program, the Secretary shall authorize the applying
24 qualified entity to carry out the project for a period
25 of 5 years, plus an additional 2 years for the making

1 of eligible expenditures in accordance with sub-
2 section (b)(5)(B).

3 “(d) GRANT AUTHORITY.—

4 “(1) IN GENERAL.—For each year during which
5 a demonstration program is carried out under this
6 section, the Secretary shall make a grant to the
7 qualified entity authorized to carry out the dem-
8 onstration program.

9 “(2) MAXIMUM AMOUNT OF GRANTS.—The ag-
10 gregate amount of grant funds provided to a dem-
11 onstration program carried out under this section
12 shall not exceed \$300,000.

13 “(e) REPORTS.—

14 “(1) ANNUAL PROGRESS REPORTS.—

15 “(A) IN GENERAL.—Not later than 60
16 days after the end of the calendar year in which
17 the Secretary authorizes a qualified entity to
18 carry out a demonstration program, and annu-
19 ally thereafter until the conclusion of the dem-
20 onstration program, the qualified entity shall
21 prepare an annual report that includes, for the
22 period covered by the report—

23 “(i) an evaluation of the progress of
24 the demonstration program;

1 “(ii) information about the demon-
2 stration program and eligible partici-
3 pants;

4 “(iii) the number and characteristics
5 of individuals that have made 1 or more
6 deposits into an individual development ac-
7 count;

8 “(iv) the amounts in the reserve fund
9 established with respect to the program;

10 “(v) the amounts deposited in the in-
11 dividual development accounts;

12 “(vi) the amounts withdrawn from the
13 individual development accounts and the
14 purposes for which the amounts were with-
15 drawn;

16 “(vii) the balances remaining in the
17 individual development accounts;

18 “(viii)(I) the development account
19 characteristics (such as threshold amounts
20 and match rates) required to stimulate
21 participation in the demonstration pro-
22 gram; and

23 “(II) how the characteristics vary
24 among different populations or commu-
25 nities;

1 “(ix)(I) what service configurations of
2 the qualified entity (such as peer support,
3 structured planning exercises, mentoring,
4 and financial management) increased the
5 rate and consistency of participation in the
6 demonstration program; and

7 “(II) how the configurations varied
8 among different populations or commu-
9 nities; and

10 “(x) such other information as the
11 Secretary may require.

12 “(B) SUBMISSION OF REPORTS.—A quali-
13 fied entity shall submit each report required
14 under subparagraph (A) to the Secretary.

15 “(C) 5-YEAR EVALUATION.—In addition to
16 the annual evaluations required under subpara-
17 graph (A)(i), not later than 5 years after the
18 date on which a qualified entity begins to carry
19 out a demonstration program, the qualified en-
20 tity shall submit to the Secretary a comprehen-
21 sive evaluation of the demonstration program.

22 “(2) REPORTS BY THE SECRETARY.—

23 “(A) INTERIM REPORTS.—Not later than
24 90 days after the end of the calendar year in
25 which the Secretary first authorizes a qualified

1 entity to carry out a demonstration program
2 under this section, and annually thereafter until
3 all demonstration programs are completed, the
4 Secretary shall submit to Congress an interim
5 report that describes the reports submitted by
6 each demonstration program under paragraph
7 (1).

8 “(B) FINAL REPORTS.—Not later than 1
9 year after the date on which all demonstration
10 programs under this section are concluded, the
11 Secretary shall submit to Congress a final re-
12 port that describes the results and findings of
13 all reports and evaluations carried out under
14 this section.

15 “(f) REGULATIONS.—The Secretary shall promulgate
16 regulations to carry out this section, including regulations
17 relating to—

18 “(1) the termination of demonstration pro-
19 grams;

20 “(2) control of the reserve funds in the case of
21 such a termination;

22 “(3) transfer of demonstration programs to
23 other qualified entities; and

1 “(4) remissions from a reserve fund in a case
2 in which a demonstration program is terminated
3 without transfer to a new qualified entity.

4 “(g) FUNDING.—

5 “(1) IN GENERAL.—On October 1, 2007, and
6 on each October 1 thereafter through October 1,
7 2012, out of any funds in the Treasury not other-
8 wise appropriated, the Secretary of the Treasury
9 shall transfer to the Secretary to carry out this sec-
10 tion \$5,000,000, to remain available until expended.

11 “(2) ADMINISTRATION AND TRAINING.—Of the
12 total funds made available under paragraph (1), not
13 more than 5 percent for administration and 5 per-
14 cent for training may be used by the Secretary—

15 “(A) to administer the pilot program; and

16 “(B) to provide training, or hire 1 or more
17 consultants to provide training, to instruct
18 qualified entities in carrying out demonstration
19 programs, including payment of reasonable
20 costs incurred with respect to that training
21 for—

22 “(i) staff or consultant travel;

23 “(ii) lodging;

24 “(iii) meals; and

25 “(iv) materials.

1 “(3) RECEIPT AND ACCEPTANCE.—The Sec-
2 retary shall be entitled to receive, shall accept, and
3 shall use to carry out this section the funds trans-
4 ferred under paragraph (1), without further appro-
5 priation.”.

6 **SEC. 4. DOWN PAYMENT LOAN PROGRAM.**

7 Section 310E of the Consolidated Farm and Rural
8 Development Act (7 U.S.C. 1935) is amended—

9 (1) in subsection (b)—

10 (A) by striking paragraph (1) and insert-
11 ing the following:

12 “(1) PRINCIPAL.—

13 “(A) PURCHASE PRICE OF \$500,000 OR
14 LESS.—Except as provided in subparagraph
15 (C), each loan made under this section for a
16 purchase price that is \$500,000 or less, shall be
17 in an amount that does not exceed 45 percent
18 of the lesser of—

19 “(i) the purchase price; or

20 “(ii) the appraised value of the farm
21 or ranch to be acquired.

22 “(B) PURCHASE PRICE GREATER THAN
23 \$500,000.—Except as provided in subparagraph
24 (C), each loan made under this section for a
25 purchase price that is greater than \$500,000,

1 shall be in an amount that does not exceed 45
2 percent of the lesser of—

3 “(i) \$500,000; or
4 “(ii) the appraised value of the farm
5 or ranch to be acquired.

6 “(C) BORROWER REQUEST.—A borrower
7 may request a lower loan amount than an
8 amount specified in subparagraph (A) or (B).”;

9 (B) by striking paragraph (2) and insert-
10 ing the following:

11 “(2) INTEREST RATE.—The interest rate on
12 any loan made by the Secretary under this section
13 shall be a rate equal to the greater of—

14 “(A) the difference obtained by subtracting
15 4 percent from the interest rate for regular
16 ownership loans under this subtitle; or

17 “(B) 1 percent.”; and

18 (C) in paragraph (4)—

19 (i) by striking “Each” and inserting
20 the following:

21 “(A) IN GENERAL.—Each”; and

22 (ii) by adding at the end the fol-
23 lowing:

24 “(B) FIRST INSTALLMENT.—The first in-
25 stallment for a loan made under this section

1 shall be due 2 years after the date on which the
2 loan is made, with annual installments being
3 due thereafter.”;

4 (2) in subsection (c)—

5 (A) by striking paragraph (2); and

6 (B) by redesignating paragraph (3) as
7 paragraph (2); and

8 (3) in subsection (d)—

11 (B) in paragraph (4), by striking the pe-
12 riod at the end and inserting “; and”; and

13 (C) by adding at the end the following:

14 “(5) establish annual performance goals to pro-
15 mote the use of the down payment loan program and
16 other joint financing participation loans as the pre-
17 ferred choice for direct real estate loans made by
18 any lender to a qualified beginning farmer or ranch-
19 er.”.

20 SEC. 5. BEGINNING FARMER OR RANCHER CONTRACT

21 LAND SALES PROGRAM.

22 Section 310F of the Consolidated Farm and Rural
23 Development Act (7 U.S.C. 1936) is amended to read as
24 follows:

1 **“SEC. 310F. BEGINNING FARMER OR RANCHER CONTRACT**2 **LAND SALES PROGRAM.**

3 “(a) IN GENERAL.—Subject to subsection (c), the
4 Secretary shall, in accordance with each condition de-
5 scribed in subsection (b), guarantee any loan made by a
6 private seller of a farm or ranch to a qualified beginning
7 farmer or rancher on a contract land sale basis.

8 “(b) CONDITIONS FOR GUARANTEE.—To receive a
9 guarantee for a loan by the Secretary under subsection
10 (a)—

11 “(1) the qualified beginning farmer or rancher
12 shall—

13 “(A) on the date on which the contract
14 land sale that is the subject of the loan is com-
15 plete, own or operate the farm or ranch that is
16 the subject of the contract land sale;

17 “(B) have a credit history that—

18 “(i) includes a record of satisfactory
19 debt repayment, as determined by the Sec-
20 retary; and

21 “(ii) is acceptable to the Secretary;
22 and

23 “(C) demonstrate to the Secretary that the
24 qualified beginning farmer or rancher is unable
25 to obtain sufficient credit without a guarantee
26 to finance any actual need of the qualified be-

1 ginning farmer or rancher at a reasonable rate
2 or term;

3 “(2) the loan made by the private seller of a
4 farm or ranch to the qualified beginning farmer or
5 rancher on a contract land sale basis shall meet ap-
6 plicable underwriting criteria, as determined by the
7 Secretary; and

8 “(3) to carry out the loan—

9 “(A) a commercial lending institution shall
10 agree to serve as an escrow agent; or

11 “(B) the private seller of a farm or ranch,
12 in cooperation with the qualified beginning
13 farmer or rancher, shall use an appropriate al-
14 ternate arrangement, as determined by the Sec-
15 retary.

16 “(c) LIMITATIONS.—

17 “(1) DOWN PAYMENT.—The Secretary shall not
18 guarantee a loan made by a private seller of a farm
19 or ranch to a qualified beginning farmer or rancher
20 under subsection (a) if the contribution of the quali-
21 fied beginning farmer or rancher to the down pay-
22 ment for the farm or ranch that is the subject of the
23 contract land sale would be an amount less than 5
24 percent of the purchase price of the farm or ranch.

1 “(2) MAXIMUM PURCHASE PRICE.—The Sec-
2 retary shall not guarantee a loan made by a private
3 seller of a farm or ranch to a qualified beginning
4 farmer or rancher under subsection (a) if the pur-
5 chase price or the appraisal value of the farm or
6 ranch that is the subject of the contract land sale
7 is an amount greater than \$500,000.

8 “(d) PERIOD OF GUARANTEE.—The Secretary shall
9 guarantee a loan made by a private seller of a farm or
10 ranch to a qualified beginning farmer or rancher under
11 subsection (a) for a 10-year period beginning on the date
12 on which the Secretary guarantees the loan.

13 “(e) GUARANTEE PLANS.—A private seller of a farm
14 or ranch who makes a loan to a qualified beginning farmer
15 or rancher that is guaranteed by the Secretary under sub-
16 section (a) may select—

17 “(1) a prompt payment guarantee plan, which
18 shall cover—

19 “(A) 3 amortized annual installments; or
20 “(B) an amount equal to 3 annual install-
21 ments (including an amount equal to the total
22 cost of any tax and insurance incurred during
23 the period covered by the annual installments);
24 or

1 “(2) a standard guarantee plan, which shall
2 cover an amount equal to 90 percent of the out-
3 standing principal of the loan made by the private
4 seller of a farm or ranch to the qualified beginning
5 farmer or rancher.”.

6 **SEC. 6. INVENTORY SALES PREFERENCES.**

7 Section 335(c) of the Consolidated Farm and Rural
8 Development Act (7 U.S.C. 1985(c)) is amended—

9 (1) in paragraph (1)—

10 (A) in subparagraph (B)—

11 (i) in the subparagraph heading, by
12 inserting “; SOCIALLY DISADVANTAGED
13 FARMER OR RANCHER” after “OR RANCH-
14 ER”;

15 (ii) in clause (i), by inserting “ or a
16 socially disadvantaged farmer or rancher”
17 after “or rancher”;

18 (iii) in clause (ii), by inserting “or so-
19 cially disadvantaged farmer or rancher”
20 after “or rancher”;

21 (iv) in clause (iii), by inserting “or a
22 socially disadvantaged farmer or rancher”
23 after “or rancher”; and

1 (v) in clause (iv), by inserting “and
2 socially disadvantaged farmers and ranch-
3 ers” after “and ranchers”; and

4 (B) in subparagraph (C), by inserting “or
5 a socially disadvantaged farmer or rancher”
6 after “or rancher”;

7 (2) in paragraph (5)(B)—

8 (A) in clause (i)—

(i) in the clause heading, by inserting
“; SOCIALLY DISADVANTAGED FARMER OR
RANCHER” after “OR RANCHER”;

12 (ii) by inserting “or a socially dis-
13 advantaged farmer or rancher” after “a
14 beginning farmer or rancher”; and

15 (iii) by inserting “or the socially dis-
16 advantaged farmer or rancher” after “the
17 beginning farmer or rancher”; and

18 (B) in clause (ii)—

19 (i) in the matter preceding subclause
20 (I), by inserting “or a socially disadvan-
21 taged farmer or rancher” after “or ranch-
22 er”; and

23 (ii) in subclause (II), by inserting “or
24 the socially disadvantaged farmer or ranch-
25 er” after “or rancher”; and

1 (3) in paragraph (6)—

2 (A) in subparagraph (A), by inserting “or
3 a socially disadvantaged farmer or rancher”
4 after “or rancher”; and

5 (B) in subparagraph (C)—

6 (i) in clause (i)(I), by inserting “and
7 socially disadvantaged farmers and ranch-
8 ers” after “and ranchers”; and

12 SEC. 7. AGRICULTURAL LOANS.

13 (a) DIRECT LOANS.—Section 302 of the Consolidated
14 Farm and Rural Development Act (7 U.S.C. 1922) is
15 amended by striking subsection (b) and inserting the fol-
16 lowing:

17 "(b) DIRECT LOANS.—The Secretary may make a di-
18 rect loan under this subtitle only to a farmer or rancher
19 who has participated in the business operations of a farm
20 or ranch for not less than 3 years.".

21 (b) LIMITATIONS ON AMOUNT OF FARM OWNERSHIP
22 LOANS.—Section 305(a)(2) of the Consolidated Farm and
23 Rural Development Act (7 U.S.C. 1925(a)(2)) is amended
24 by striking “\$200,000” and inserting “\$300,000”.

1 (c) LIMITATIONS ON AMOUNT OF OPERATING
2 LOANS.—Section 311 of the Consolidated Farm and
3 Rural Development Act (7 U.S.C. 1941) is amended by
4 striking subsection (c).

5 (d) LIMITATIONS ON AMOUNT OF OPERATING
6 LOANS.—Section 313(a)(1) of the Consolidated Farm and
7 Rural Development Act (7 U.S.C. 1943(a)(1)) is amended
8 by striking “\$200,000” and inserting “\$300,000”.

9 (e) TRANSITION TO PRIVATE COMMERCIAL OR
10 OTHER SOURCES OF CREDIT.—Subtitle D of the Consoli-
11 dated Farm and Rural Development Act is amended by
12 inserting after section 344 (7 U.S.C. 1992) the following:
13 **“SEC. 345. TRANSITION TO PRIVATE COMMERCIAL OR**
14 **OTHER SOURCES OF CREDIT.**

15 “(a) IN GENERAL.—In making or insuring a farm
16 loan under subtitle A or B, the Secretary shall establish
17 a plan and promulgate regulations (including performance
18 criteria) that promote the goal of transitioning borrowers
19 to private commercial credit and other sources of credit
20 in the shortest practicable period of time.

21 “(b) COORDINATION.—In carrying out this section,
22 the Secretary shall integrate and coordinate the transition
23 policy described in subsection (a) with—

24 “(1) the borrower training program established
25 by section 359;

1 “(2) the loan assessment process established by
2 section 360;

3 “(3) the supervised credit requirement estab-
4 lished by section 361;

5 “(4) the market placement program established
6 by section 362; and

7 “(5) other appropriate programs and authori-
8 ties, as determined by the Secretary.”.

9 **SEC. 8. LOAN AUTHORIZATION LEVELS AND FUND SET-**

10 **ASIDES.**

11 (a) AUTHORIZATION OF LOANS.—Section 346(b) of
12 the Consolidated Farm and Rural Development Act (7
13 U.S.C. 1994(b)) is amended—

14 (1) in paragraph (1)—

15 (A) in the matter preceding subparagraph
16 (A), by striking “\$3,796,000,000” and insert-
17 ing “\$4,226,000,000”; and

18 (B) in subparagraph (A)—

19 (i) in the matter preceding clause (i),
20 by striking “\$770,000,000” and inserting
21 “\$1,200,000,000”;

22 (ii) in clause (i), by striking
23 “\$205,000,000” and inserting
24 “\$350,000,000”; and

1 (iii) in clause (ii), by striking
2 “\$565,000,000” and inserting
3 “\$850,000,000”;

4 (2) in paragraph (2)—

5 (A) in the paragraph heading, by striking
6 “AND RANCHERS” and inserting “OR RANCHERS
7 OR SOCIALLY DISADVANTAGED FARMERS OR
8 RANCHERS”;

9 (B) in subparagraph (A)—

10 (i) in clauses (i)(I), (ii), and (iii), by
11 striking “and ranchers” each place it ap-
12 pears and inserting “or ranchers or so-
13 cially disadvantaged farmers or ranchers”;

14 (ii) in clause (i)—

15 (I) in subclause (I), by striking
16 “70 percent” and inserting “an
17 amount that is not less than 75 per-
18 cent of the total amount made avail-
19 able under paragraph (1)”; and

20 (II) in subclause (II)—

21 (aa) in the subclause head-
22 ing, by inserting “; PARTICIPA-
23 TION LOANS” after “PAYMENT
24 LOANS”;

1 (bb) by striking “60 per-
2 cent” and inserting “an amount
3 not less than $\frac{2}{3}$ of the amount
4 reserved under subclause (I)”;
5 and

6 (cc) by inserting “and par-
7 ticipation loans” after “section
8 310E”;

9 (iii) in clause (ii)(III), by striking
10 “2003 through 2007, 35 percent” and in-
11 serting “2008 through 2012, an amount
12 that is not less than 50 percent of the total
13 amount made available under paragraph
14 (1)”;

15 (iv) in clause (iii)—

16 (I) in the clause heading, by
17 striking "SEPTEMBER 1" and insert-
18 ing "AUGUST 15"; and

19 (II) by striking "September 1"
20 and inserting "August 15";

21 (C) in subparagraph (B)—

22 (i) in clause (i), by striking “25 per-
23 cent” and inserting “an amount that is not
24 less than 40 percent of the total amount
25 made available under paragraph (1)”; and

1 (ii) in clauses (i) and (ii), by striking
2 “farmers and ranchers” each place it ap-
3 pears and inserting “farmers or ranchers”;
4 and
5 (D) in the subparagraph heading of sub-
6 paragraph (C), by striking “FARMERS AND
7 RANCHERS” and inserting “FARMERS OR
8 RANCHERS”;
9 (3) by striking paragraph (3); and
10 (4) by redesignating paragraph (4) as para-
11 graph (3).

12 (b) REALLOCATION.—Section 346(b) of the Consoli-
13 dated Farm and Rural Development Act (7 U.S.C.
14 1994(b)) (as amended by subsection (a)) is amended by
15 adding at the end the following:

16 “(4) REALLOCATION.—

17 “(A) QUALIFIED BEGINNING FARMERS OR
18 RANCHERS.—Any funds reserved and allocated
19 under paragraph (2) for qualified beginning
20 farmers or ranchers in a State but not used
21 within the State as of the applicable date speci-
22 fied in subparagraph (A)(iii) or (B)(iii) of para-
23 graph (2), shall be redistributed by the Sec-
24 retary, in order of priority, to make or guar-
25 antee loans for—

1 “(i) pending applications from qual-
2 ified beginning farmers or ranchers in other
3 States for the same type and category of
4 loan under this title as the unused funds
5 were originally made available;

6 “(ii) pending applications from qual-
7 ified beginning farmers or ranchers within
8 the State or in other States for farm own-
9 ership (including down payment loans) or
10 operating loans or loan guarantees under
11 this title;

12 “(iii) pending applications from so-
13 cially disadvantaged farmers or ranchers
14 within the State or in other States for
15 farm ownership (including down payment
16 loans) or operating loans or loan guaran-
17 tees under this title;

18 “(iv) pending applications within the
19 State for farm ownership (including down
20 payment loans) or operating loans or loan
21 guarantees under this title; and

22 “(v) pending applications for farm
23 ownership (including down payment loans)
24 or operating loans or loan guarantees

1 under this title in other States, as deter-
2 mined by the Secretary.

3 “(B) SOCIALLY DISADVANTAGED FARMERS
4 OR RANCHERS.—Any funds reserved and allo-
5 cated under paragraph (2) for socially dis-
6 advantaged farmers or ranchers in a State but
7 not used within the State as of the applicable
8 date specified in subparagraph (A)(iii) or
9 (B)(iii) of paragraph (2), shall be redistributed
10 by the Secretary, in order of priority, to make
11 or guarantee loans for—

12 “(i) pending applications from socially
13 disadvantaged farmers or ranchers in other
14 States for the same type and category of
15 loan under this title as the unused funds
16 were made available;

17 “(ii) pending applications from so-
18 cially disadvantaged farmers or ranchers
19 within the State or in other States for
20 farm ownership (including down payment
21 loans) or operating loans or loan guaran-
22 tees under this title;

23 “(iii) pending applications from begin-
24 ning farmers or ranchers within the State
25 or in other States for farm ownership (in-

7 “(v) pending applications for farm
8 ownership (including down payment loans)
9 or operating loans or loan guarantees
10 under this title in other States, as deter-
11 mined by the Secretary.”.

12 SEC. 9. SOIL AND WATER CONSERVATION AND PROTEC-
13 TION.

14 Section 304 of the Consolidated Farm and Rural De-
15 velopment Act (7 U.S.C. 1924) is amended by striking
16 subsections (b) and (c) and inserting the following:

17 "(b) PRIORITY.—In making or guaranteeing loans
18 under this section, the Secretary shall give priority to—

19 “(1) qualified beginning farmers or ranchers;

20 “(2) socially disadvantaged farmers or ranch-
21 ers;

22 “(3) owners or tenants who use the loans to
23 convert to sustainable or organic agricultural pro-
24 duction systems; and

1 “(4) producers who use the loans to build con-
2 servation structures or establish conservation prac-
3 tices to comply with section 1212 of the Food Secu-
4 rity Act of 1985 (16 U.S.C. 3812).”.

5 **SEC. 10. CONSERVATION RESERVE PROGRAM TRANSITION**
6 **INCENTIVES.**

7 Section 1235(c) of the Food Security Act of 1985 (16
8 U.S.C. 3835(c)) is amended—

9 (1) in paragraph (1)(B)—
10 (A) in clause (ii), by striking “or” at the
11 end;

12 (B) by redesignating clause (iii) as clause
13 (iv); and

14 (C) by inserting after clause (ii) the fol-
15 lowing:

16 “(iii) to facilitate a transition of land
17 subject to the contract from a retired or
18 retiring owner or operator to a beginning
19 farmer or rancher or socially disadvan-
20 taged farmer or rancher for the purpose of
21 returning some or all of the land into pro-
22 duction using sustainable grazing or crop
23 production methods; or”; and

24 (2) by adding at the end the following:

1 “(3) TRANSITION OPTION FOR BEGINNING
2 FARMERS OR RANCHERS AND SOCIALLY DISADVAN-
3 TAGED FARMERS OR RANCHERS.—

4 “(A) IN GENERAL.—In the case of a con-
5 tract modification approved in order to facili-
6 tate the transfer of land subject to a contract
7 from a retired or retiring owner or operator to
8 a beginning farmer or rancher or socially dis-
9 advantaged farmer or rancher under paragraph
10 (1)(B)(iii), the Secretary shall—

11 “(i) beginning on the date that is 1
12 year before the date of termination of the
13 contract—

14 “(I) allow the beginning farmer
15 or rancher or socially disadvantaged
16 farmer or rancher, in conjunction with
17 the retired or retiring owner or oper-
18 ator, to make conservation and land
19 improvements; and

20 “(II) allow the beginning farmer
21 or rancher or socially disadvantaged
22 farmer or rancher, at the election of
23 the farmer or rancher, to begin the
24 certification process under the Or-

1 rancher takes possession, through owner-
2 ship or lease, of the land; and

3 “(v) continue to make annual pay-
4 ments to the retired or retiring owner or
5 operator for not more than an additional 2
6 years after the date of termination of the
7 contract, if the retired or retiring owner or
8 operator is not a family member (as de-
9 fined in section 1001A(b)(3)(B) of the
10 Food Security Act of 1985 (7 U.S.C.
11 1308–1(b)(3)(B)) of the beginning farmer
12 or rancher or socially disadvantaged farm-
13 er or rancher.

14 “(B) REENROLIMENT.—The Secretary
15 shall provide to a beginning farmer or rancher
16 or socially disadvantaged farmer or rancher de-
17 scribed in subparagraph (A) the option to re-
18 enroll any applicable partial field conservation
19 practice that is—

20 “(i) eligible for enrollment under the
21 continuous signup requirement of section
22 1231(h)(4)(B); and

23 “(ii) part of an approved comprehen-
24 sive conservation plan.”.

1 **SEC. 11. CONSERVATION COST SHARING.**

2 (a) CONSERVATION SECURITY PROGRAM.—Section
3 1238C(b)(1) of the Food Security Act of 1985 (16 U.S.C.
4 3838c(b)(1)) is amended in subparagraphs (C)(ii), (D)(ii),
5 and (E)(ii), by striking “rancher, 90 percent” each place
6 it appears and inserting “rancher, or a socially disadvan-
7 taged farmer or rancher, does not exceed the lesser of 90
8 percent or an amount equal to 15 percent more than the
9 rate offered to other farmers”.

10 (b) ENVIRONMENTAL QUALITY INCENTIVES PRO-
11 GRAM.—Section 1240B(d)(2) of the Food Security Act of
12 1985 (16 U.S.C. 3839aa–2(d)(2)) is amended by striking
13 subparagraph (A) and inserting the following:

14 “(A) BEGINNING FARMERS OR RANCHERS
15 AND SOCIALLY DISADVANTAGED FARMERS OR
16 RANCHERS.—The Secretary may increase the
17 amount provided to a producer under para-
18 graph (1) that is a beginning farmer or rancher
19 or a socially disadvantaged farmer or rancher,
20 as determined by the Secretary, to an amount
21 not more than the lesser of—

22 “(i) 90 percent; and
23 “(ii) 15 percent more than the rate
24 offered to other farmers or ranchers.”.

1 (c) CONSERVATION INCENTIVES AND RESERVED
2 FUNDING.—Section 1244 of the Food Security Act of
3 1985 (16 U.S.C. 3844) is amended—

4 (1) in subsection (a)—

5 (A) by redesignating paragraphs (1) and
6 (2) as subparagraphs (A) and (B), respectively,
7 and indenting the subparagraphs appropriately;

8 (B) by striking “In carrying out” and in-
9 serting the following:

10 “(1) IN GENERAL.—In carrying out”;

11 (C) in paragraph (1) (as designated by
12 subparagraph (B)), by striking “and Indian
13 tribes” and all that follows through “agricul-
14 tural producers” and inserting “, Indian tribes,
15 and socially disadvantaged farmers or ranch-
16 ers”; and

17 (D) by adding at the end the following:

18 “(2) REQUIREMENTS.—In carrying out this
19 subsection, the Secretary shall—

20 “(A) develop a definition of the term ‘be-
21 ginning farmer or rancher’ that—

22 “(i) is based, to the maximum extent
23 practicable, on the definition of that term
24 under section 343(a) of the Consolidated

9 “(B) develop and implement cooperative
10 agreements with entities, including the Natural
11 Resources Conservation Service, Extension enti-
12 ties, nongovernmental and community-based or-
13 ganizations, educational institutions, and pri-
14 vate technical service providers, with expertise
15 in addressing the needs of beginning farmers or
16 ranchers and socially disadvantaged farmers or
17 ranchers to provide—

23 “(C) offer to beginning farmers or ranch-
24 ers and socially disadvantaged farmers or
25 ranchers a special incentive or bonus payment

1 for developing comprehensive whole-farm or
2 -ranch resource management system conserva-
3 tion plans as part of participation in—

4 “(i) the conservation security program
5 established under subchapter A of chapter
6 2 of subtitle D; or

7 “(ii) the environmental quality incen-
8 tives program established under chapter 4
9 of that subtitle;

10 “(D) provide a substantial number of
11 ranking points—

12 “(i) for beginning farmers or ranchers
13 and socially disadvantaged farmers or
14 ranchers within each conservation program
15 under this title that uses a ranking system
16 to determine enrollment; and

17 “(ii) for detailed farm transition plan-
18 ning under the farmland protection pro-
19 gram established under subchapter B of
20 chapter 2 of subtitle D; and

21 “(E) provide such other incentives and
22 benefits as the Secretary determines to be ap-
23 propiate.

24 “(3) RESERVATION OF FUNDING.—

1 “(A) IN GENERAL.—Of funds made avail-
2 able for a fiscal year to carry out this title, the
3 Secretary shall reserve, for a period of not less
4 than 120 days after the date on which the
5 funds are made available—

6 “(i) not less than 10 percent for be-
7 ginning farmers or ranchers; and

8 “(ii) not less than 10 percent of funds
9 for socially disadvantaged farmers or
10 ranchers.

11 “(B) TECHNICAL ASSISTANCE.—Of
12 amounts reserved under subparagraph (A), the
13 Secretary may provide to beginning farmers or
14 ranchers and socially disadvantaged farmers or
15 ranchers technical assistance at a rate that is
16 not more than 15 percent higher than the rate
17 that would otherwise apply to the farmers or
18 ranchers.

19 “(4) EFFECT OF SUBSECTION.—Nothing in this
20 subsection prohibits any beginning farmer or rancher
21 or any socially disadvantaged farmer or rancher
22 from—

23 “(A) participating in any other program;
24 or

1 “(B) receiving funds made available under
2 this title that are not reserved pursuant to
3 paragraph (3)(A).”.

4 **SEC. 12. RESEARCH PROGRAMS.**

5 (a) COMPETITIVE, SPECIAL, AND FACILITIES RE-
6 SEARCH GRANTS.—Section 2(b)(2) of the Competitive,
7 Special, and Facilities Research Grant Act (7 U.S.C.
8 450i(b)(2)) is amended—

9 (1) in the first sentence of the matter preceding
10 subparagraph (A), by striking “(F)” and inserting
11 “(G)”;

12 (2) in subparagraph (E), by striking “and” at
13 the end;

14 (3) in subparagraph (F), by striking the period
15 at the end and inserting “; and”; and

16 (4) by adding at the end the following:

17 “(G) areas of concern to beginning farmers
18 or ranchers, including—

19 “(i) farm transfer and farm entry;

20 “(ii) farm transition options for retir-
21 ing farmers or ranchers;

22 “(iii) land tenure;

23 “(iv) farm viability;

1 “(v) socially disadvantaged farmers or
2 ranchers and immigrant farmers or ranch-
3 ers; and

4 “(vi) production, marketing, conserva-
5 tion, and risk management alternatives rel-
6 evant to new and beginning farmers or
7 ranchers.”.

8 (b) INITIATIVE FOR FUTURE AGRICULTURE AND
9 FOOD SYSTEMS.—Section 401(c)(2)(F) of the Agricul-
10 tural Research, Extension, and Education Reform Act of
11 1998 (7 U.S.C. 7621(c)(2)(F)) is amended—

12 (1) by striking “including the viability” and in-
13 serting the following: “including—

14 “(i) the viability”; and

15 (2) by striking “operations.” and inserting the
16 following: “operations;

17 “(ii) farm transition options for retir-
18 ing farmers or ranchers; and

19 “(iii) farm transfer and entry alter-
20 natives for beginning farmers or ranchers
21 or socially disadvantaged farmers or ranch-
22 ers.”.

1 **SEC. 13. RISK MANAGEMENT EDUCATION FOR BEGINNING**2 **FARMERS OR RANCHERS.**

3 Section 524(a) of the Federal Crop Insurance Act (7

4 U.S.C. 1524(a)) is amended—

5 (1) by redesignating paragraph (4) as para-
6 graph (5); and7 (2) by inserting after paragraph (3) the fol-
8 lowing:9 “(4) REQUIREMENTS.—In carrying out the pro-
10 grams established under paragraphs (2) and (3), the
11 Secretary shall place special emphasis on risk man-
12 agement strategies, education, and outreach specifi-
13 cally targeted at—

14 “(A) beginning farmers or ranchers;

15 “(B) immigrant farmers or ranchers that
16 are attempting to become established producers
17 in the United States;18 “(C) socially disadvantaged farmers or
19 ranchers;

20 “(D) farmers or ranchers that—

21 “(i) are preparing to retire; and

22 “(ii) are using transition strategies to
23 help new farmers or ranchers get started;
24 and

1 “(E) new or established farmers or ranch-
2 ers that are converting production and mar-
3 keting systems to pursue new markets.”.

