

# Loans & USDA Programs

**Loans for Small Farms**  
Mike Kelly, Western Ag Credit

**Produce Safety Rules - Utah Update**  
Karin Allen, USU Extension  
Niel Allen, USU Extension

**Farm Service Agency**  
Steven Bartholomew, FSA Loan Manager

**Rural Development**  
Randy Parker, State Director

**Resources and Funding with NRCS**  
David Hanson, District Conservationist, NRCS

**Insurance Programs**  
Karli Salisbury, USU Extension



**Michael Kelly**

*Loan Officer*

Western AgCredit

Michael Kelley works as a loan officer in Western AgCredit's Tremonton Branch.

Michael graduated from Utah State University with a bachelor's degree in finance and a minor in economics. Prior to coming to Western AgCredit, he worked for another Farm Credit Association as a loan officer in Oregon. Originally from Preston, ID, Michael grew up working on farms and ranches. Michael likes to hunt, fish, hike, snowmobile, ski and camp. He also enjoys watching local high school and college sports.

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# Western AgCredit

Presenters:

Michael Kelley & Sarah Witt



# 5 C's of Credit

Western AgCredit and most lenders use some version of the “5 C's of Credit” when evaluating requests for lending money. Each “C” represents a different component of the decision process of analyzing and taking action on a loan request.



# 5 C's of Credit

- Character
- Capacity
- Capital
- Conditions
- Collateral



# Character

Every lending decision requires an answer to the basic question: Is the customer of sound character and do they have the management ability to run the operation and repay the loan?



# Character

- The character factor is often regarded as the most important credit factor, because it is the catalyst that transforms expectations, goals, and projections into realities.
- Therefore, it is imperative that a lender collects the most accurate information and performs the best possible analysis on this credit factor before making the lending decision.
- As in the other credit factors, the importance of character should be balanced against the level of financing and overall risk to the organization.



# Character

- For purposes of the lending decision, character is defined as the customer's willingness and determination to repay the loan, regardless of unforeseen adversity.
- Character includes such qualities as honesty, openness, integrity, and self-discipline. In general, sound character should be viewed as a necessity, but not the only condition for acceptable loan performance.





# Character

“People with good intentions make promises, but people with good character keep them”



# Capacity

- Capacity refers to the customer's ability to generate sufficient earnings to repay their obligations.
- These obligations include items such as current obligations, repay any new debt, plus provide an adequate margin for family living, capital replacement, and accumulation of a reserve for adversity.



# Capacity

- Earnings capacity is not the same as cash flow. Accrual adjustments must be made to cash income records to accurately determine net income or earned net worth change. An operation can have sufficient cash flow to meet current obligations without having positive net earnings. The reverse can also be true.
- The first use of net income is to cover withdrawals for family living; the remainder is then used to repay capital debts or to buy new assets. Income not necessary for these purposes is available to expand, invest, or build a reserve.



# Capacity

- When analyzing repayment capacity, we examine both historical and projected cash flows and income statements or earned net worth changes.
- Over the longer term, repayment capacity margin must be sufficient to cover occasional operating losses and unforeseen expenditures.



# Capacity

- The risk associated with the capacity factor is closely associated with the capital factor.
- As the risk of low or negative capacity margin increases, a correspondingly stronger capital position is required to ensure that sufficient repayment reserves are available should there be an earnings shortfall.



# Capital

- Capital refers to the customer's financial position and is typically reflected on an individual's or entity's balance sheet.
- An evaluation of the Capital position typically involves an analysis of the financial progress, asset quality, working capital, liquidity, solvency and debt structure.
- The analysis of these factors involves historical and current balance sheets, together with income statements of even dates, such that cash to accrual and changes in net worth can be evaluated.



# Capital

- Part of the analysis of capital is determining if the customer's financial position has improved or deteriorated over time. Whether considering past, present, or projected financial statements, the lender examines the values of those statements relative to the customer's previous position.
- Liquidity is a repayment-risk management tool for the lender. Current assets that can be easily converted to cash are important sources of reserves to ensure that loans are repaid on time. Several formulas may be used to describe a customer's liquidity position. The most common are working capital and current ratio.



# Capital

- **Working Capital (current assets - current liabilities)** - Working capital is the amount by which the customer's current assets exceed current liabilities.
- **Current Ratio (current assets/current liabilities)**
  - For example, a current ratio of 2:1 indicates that the value of current assets (often largely composed of inventory held for sale) could decline by 50 percent before liabilities would exceed liquid assets. A current ratio of 1:1 or less indicates the potential for serious liquidity problems.





# Capital

## CAPITAL:

### LIQUIDITY:

	<u>4/20/2011</u>	<u>4/20/2012</u>	<u>2/4/2013</u>	<u>1/13/2014</u>	<u>3/19/2015</u>	<u>2/13/2016</u>
Current Assets	\$ 97,898	\$ 135,790	\$ 176,350	\$ 220,992	\$ 254,340	279,899
Current Liabilities	43,374	16,318	3,160	80,357	5,000	5,000
<b>Working Capital</b>	<b>\$ 54,524</b>	<b>\$ 119,472</b>	<b>\$ 173,190</b>	<b>\$ 140,635</b>	<b>\$ 249,340</b>	<b>274,899</b>
Current Ratio	225.71%	832.15%	5580.70%	275.01%	5086.80%	5597.98%

### SOLVENCY:

Total Assets	\$ 1,848,168	\$ 1,915,442	\$ 2,238,202	\$ 2,760,838	\$ 3,124,717	3,125,835
Total Liabilities	604,969	520,518	649,533	862,500	971,633	837,023
<b>Net Worth</b>	<b>\$ 1,243,199</b>	<b>\$ 1,394,924</b>	<b>\$ 1,588,669</b>	<b>\$ 1,898,338</b>	<b>\$ 2,153,084</b>	<b>2,288,812</b>
Debt/Equity	48.66%	37.32%	40.89%	45.43%	45.13%	36.57%



# Capital

- Solvency is one of the most important risk measurements for the lender. Three measures of solvency that document the relationship between total assets, total liabilities, and the customer's owner equity are as follows:
  - **Debt/Equity Ratio (total liabilities/owner equity) also known as Leverage Ratio** - A Debt/Equity ratio of less than 1:1 means that the customer's owned capital exceeds the amount of debt capital in the business. A value greater than 1:1 means the creditors have a greater claim on the business than does the producer.



# Capital

- **Debt-to-Asset Ratio (total liabilities/total assets)**
  - A debt-to-asset ratio of over 50 percent also means creditors have a greater claim on the business than does the producer. Consequently as the leverage ratio or debt-to asset ratio increases, solvency decreases.
- **Owner Equity Ratio (total assets/total liabilities) -**
  - An owner's equity ratio of greater than 50 percent means the producer rather than creditors owns a bigger share of the business. This ratio is a direct inverse of the debt-to-asset ratio.



# Conditions

Conditions refer to the terms and conditions under which the loan is being approved.

- The lender has direct control over these provisions such as loan amount, use of funds, and loan terms.
- The lender is responsible to make the amount and purpose of the loan constructive and establish repayment terms that are practical for all parties involved.



# Conditions

- The primary purpose of a loan is to improve the income and financial position of the applicant.
- Conditions should support the analyst's recommendation for the loan after analysis of all other credit factors.



# Conditions

- The amount must be adequate to serve the applicant's needs, yet be reasonable in relation to the supporting management skills, repayment performance, financial responsibility and collateral.
- The loan term should not generally exceed economic life of the project or the asset being financed.



# Conditions

- Approval requirements and structure (loan agreements, personal liability, additional collateral, margin considerations and insurance, etc.) should assure adequate repayment performance and collateral safety without disrupting the normal operations of the applicant's business.



# Conditions

- Necessities, Needs and Wants:
  - **Essential** requirements of the operation are considered to be necessities. These must be provided for before credit is extended for any other purpose.
  - **Needs** are not direct costs of the operation, but are ordinary expenses that are ultimately paid from operating income.
  - **Wants** are those things that the customer can get along without and that do not contribute directly to profitability. The operation may falter and the loan may deteriorate if excessive credit is provided for wants, and doing so might preclude the extension of additional funds to meet necessities as they arise.





# Collateral

Collateral is an asset(s) that is being pledged to the lender to ensure performance of the lending agreement. In some lending relationships, the collateral is the primary source of repayment for the loan, while the other lending relationships collateral is the last line of defense for the lender to avoid taking a loss on a loan.



# Collateral

- Collateral Types:
  - **Personal Property** - Personal property is typically described as any tangible movable or immovable property other than real estate. This form of collateral is normally used in short-term financing.
  - **Real Estate** - Physical land and appurtenances affixed to the land, e.g., structures. This form of collateral is generally associated with long-term financing, but is also used with short-term loans.
  - **Real Property** - All interests, benefits and rights inherent in the ownership of physical real estate.



# Collateral

- Short and Intermediate Term loans are primarily secured with a first priority interest on personal property. These loans may also be secured with a first priority interest in real property.
- As the loan term increases, generally the need for security also increases.
- On long-term loans, primary security must consist of a first lien or an equivalent interest in real estate.



# Types of Loan Products



# Information Needed For Application Process

- Balance Sheet
- Income Statement / Tax Return
- W-2 or Pay Stubs
- Business Plan
- Other



# Business Plan

- Business Description
  - What Product do you intend to market
  - What Stage of Development is your business
  - What is the History if already established
  - Why are you pursuing this business venture



# Business Plan

- Experience
  - Education, Agricultural Background, Specific experiences with your product
- Market Analysis
  - Is there a demand, Who are the competitors, why are you different, Challenges
- Strategic Plan
  - Where will you sell your product, how will you promote your product, what is the pricing strategy



# Business Plan

- Short Term Goals
  - Production
  - Labor
  - Financial
- Long Term Goals
  - Size of the operation
  - Production targets
  - Profitability

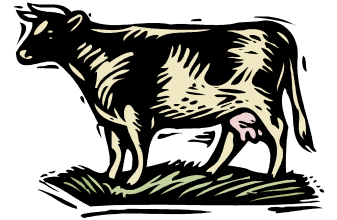




# Operating Loans

**These types of loans are used for:**

- Day-to-day operating needs for crop production and harvest expenses.
- Livestock and feed purchases.
- Living expenses, taxes and any other agricultural or family expense.



# Operating Loans

- Budgeted Operating Loan
- Revolving Line of Credit (RLOC)
- Non Revolving Operating Loan



# Operating Loans

## Loan Terms

- Budgeted OL – One Year
- RLOC 1 to 3 years
  - Flexible RLOC allows funds to be used over and over again
  - Can be up to 5 yrs with FSA guaranty.



# Intermediate Term Loans

Available for the following purposes

- Farm Machinery purchases
  - New & Used
- Irrigation Equipment and Improvements
- Production and Processing Equipment
- Building Repairs or Improvements
- Debt Refinancing
- Herd Expansion
- Grazing Permits
- Any other Agricultural purpose which must be paid over time



# Intermediate Term Loans

## Loan Terms for IT loans

- 3 to 7 years
- 10 years if secured by Real Estate



# Long Term Loans

Typical Uses of Long Term Loans are:

- Real Estate Purchases
- Facility Construction
- Other Real Estate Improvements
- Water & Irrigation Projects
- Debt Refinance
- Other loans secured by Real Estate



# Long Term Loans

## Mortgage Equity Revolving Line of Credit (MERLOC)

- Provides a revolving line secured by Real Estate
- Money used over and over again for any Agricultural Purpose for first five years, after which time, the outstanding amount is amortized over 15-25 years.



# Long Term Loans

Loan Terms for Long Term loans:

- 5 to 30 years
- Fixed and variable rate options.
- Repayment matched to income timing
  - Monthly, Quarterly, Semi Annual and Annual





# Structuring Repayment to Capacity and Timing Payment to Incomes

- Choose a repayment term that will fit you in a worst case situation.
- Interim Assets (livestock & equipment)- if bought at **high prices** try to pay back or down faster or while you are receiving high prices. Be sensitive to market and adjust structure when market changes.
- Match Payments to Income Timing- Some banks require monthly or semi annual payments of interest and/or principal. This requires covering the payments in many cases before your income event. This drains cash or requires additional operating funds (pay interest on interest).



# Repayment Strategies

- 1<sup>st</sup> Pay back Operating Loans and Lines of Credit, including credit cards
- 2<sup>nd</sup> Pay off small loans first
- 3<sup>rd</sup> Pay down or off interim type loans
- 4<sup>th</sup> Pay off or down long term debts



# Young Beginning and Small Farmer Programs (YBS)

## PURPOSE:

To establish or enhance business relationships with young, beginning, and small farmers with the highest potential for long-term viability and a long-term, profitable relationship with the association. The goal is to provide constructive credit at reasonable costs to meet the special needs of these producers without creating undue risks to the association.



# Overview

- Young <35 years old. Beginning <10 years experience. Small <\$250 K in Annual Sales
- YBS programs are intended to offer credit to YBS farmers who are committed to agriculture at similar rates and terms as would be offered to established or larger agricultural operations.
- These are generally used in conjunction with Farm Service Agency (FSA) Loans or Guarantees. Y&B
- YBS may face more challenges in obtaining credit than established larger operators. Y&B farmers typically have more similarities as a group than Small Farmers do.



# Overview

- Due to the large capital needs of an agricultural operation, it is difficult for new farmers and ranchers to enter the industry unless they inherit an existing operation or acquire significant financial resources from other businesses that can be invested in the agricultural venture.
- Therefore, Y&B producers often fail to have the financial resources necessary to meet a lender's underwriting standards.



# How does a YBS Farmer Differ from an Established or Larger Operation

- Little to no down payment or equity in collateral to be offered as security. Y&B
- Small amount of net worth leading to higher leverage. YBS
- Limited History of consistent operations. Y&B
- Limited managerial experience. Y&B



# AgStart Loan Program

- Program is for small farming operations in the early stages of development that must fit one of the following categories:
  - Operations that market directly to consumers or through local/regional food systems (“Local Food Farmers”),
  - Beginning operations with less than 10 years experience which market their agricultural products through traditional methods
  - Veterans who are entering into the agricultural industry with limited financial resources.



# AgStart Loan Program

- Limited to \$25,000 outstanding at any one time.
- RLOC – Max Term of 3 years
- Non-RLOC – Max term of 1 year
- IT Loans – Maximum Term of 7 years
- Real Estate Loan – Maximum Term of 10 years





# FSA Direct and Guaranteed Loan Programs

- Farm Ownership (FO) -Direct/Guaranteed
- Farm Operating (OL) -Direct/Guaranteed
- Land or Contract Guarantees
- Youth Loans -Direct
- *OL Micro Loan Program >\$50 K –Direct OL*
- *Emergency Loans -Direct*
- *Conservation Loans -Guaranteed*
- <http://www.fsa.usda.gov/programs-and-services/farm-loan-programs>



# FSA Farm Ownership (FO) - Direct/Guaranteed

- Only for the use of farm ownership
- Direct FO up to \$300,000
- Guaranteed FO (Non-FSA Lender) up to \$1,392,000 (total of all direct and guaranteed products)
- Variations of Direct FO programs:
  - Down Payment Program
  - Joint Financing Arrangement (50/50)



# FSA Farm Ownership (FO) - Direct/Guaranteed

- Benefits are:
  - minimal to \$0 down payment
  - lower rates and longer terms
  - Thus lower payments
- Guarantees require 1.5% fee (waived on down payment option)



# FSA - Variations of Farm Ownership

- Down Payment Program (YBS or SDA)
  - 5% down, 45% from FSA Direct limited to \$300,000, 50% from other lender. Works to a purchase @ \$667,000
  - FSA rate is 4% below Direct FO but no less than 1.5% fixed. 20 year term
  - 50% from other lender=1<sup>st</sup> lien (must be 30yr amortization with balloon at not less than 20yrs. FSA will guarantee up to 95% no cost.
  - Can't have owned a farm >30% of average county sized farm at time of application.



# FSA - Variations of Farm Ownership

- Joint Financing Arrangement (50/50)
  - Up to 50% from FSA Direct, limited to \$300,000, 50% from other lender. Works to a purchase @ \$750-1,000 K with minimal to no payment/additional collateral.
  - FSA rate is 2% below Direct FO but no less than 2.5% fixed. 40 year term
  - 50% from other lender with 1<sup>st</sup> position on collateral.



# FSA - Farm Operating (OL)

- Direct OL up to \$300,000 for normal operating expenses, machinery and equipment, minor real estate repairs or improvements, and refinancing debt.
- Operating 1 year. Terms up to 7 years.
- Guaranteed OL (Non-FSA Lender) up to \$1,392,000 (total of all direct and guaranteed products). 1 to 5 year approval.



# FSA- Other Loan Products of YBS Interest Continued

- **Youth Loans –Direct OL**
- Up to \$5,000 for 4-H or FFA type projects
- Youth ages 10 to 20 years old.



# WAC Young and Beginning Programs

- Use of FSA Guaranty Only
- Use of FSA Joint Financing (50/50)
- Use of FSA Down Payment Program
- No Use of FSA Programs





# FSA Rates

- FSA Rates 9-2015

Effective as of September 1, 2015	
Program	Interest Rates
Farm Operating-Direct	2.625%
Farm Ownership- Direct	4.000%
Farm Ownership- Direct, Joint Financing	2.500%
Farm Ownership- Down Payment	1.500%
Emergency Loan- Amount of Actual Loss	3.625%
Conservation Loan	4.000%



# Real Life Examples

- \$600K Land sale:
  - Standard WAC \$210K Down payment. Borrow \$290K over 30yrs @ 6% \$21,000/yr.
  - Standard WAC payment over 30yrs @ 6% \$43,600/yr. Would require \$982K collateral or \$382K of additional land.
  - **FSA Down Payment (5-45-50)** – 5% down @ \$30K, 50% or \$300K WAC 30 yrs. \$21.8K/yr. FSA \$270K 20 yrs. @1.5% \$15.7K/yr. Total \$37,500/yr.
  - **FSA 50/50** with WAC \$300K 30 yrs. \$21.8K/yr. FSA \$300K 40 yrs. @2.5% \$11.9K/yr. Total \$33,400/yr.



# Wrap Up of Loan Products

- Proper Loan terms and structures are very important to your financial staying power.
- FSA and YBS programs when used together allow for a critical mass of borrowing.
- Don be afraid to ask your loan officer questions about structures and programs.



# Definition of YBS

- Young producer – 35 years old or younger.
- Beginning producer – 10 years or less in farming.
- Small producer – less than \$250,000 in annual gross agricultural income.



# AgFuture Program

- **Tier 1:** .25% reduction for completing Borrowing Basics on Western AgCredit's website.
- **Tier 2:** .50% reduction for attending 3 additional courses offered by WAC or others (Courses need to be offered by extension, commodity groups, other professional organizations, or approved by WAC. Courses must be on business or production agriculture.)



# Program Parameters

- \$500,000 total volume per customer limit.
- Must fall into two of the three categories (Young, Beginning and Small) to be eligible to participate in the program.
- The rate reductions will be good for five years after the first tier (Borrowing Basics) is reached.



# Register Today!

- All program participants are required to register for the online portal, and they are required to enter the classes they took into the portal.
- Participants must register online before they attend Tier II courses.
- Only new loans or refinances qualify.
- You can start earning interest rate concessions today! Go to [westernagcredit.com/agfuture](http://westernagcredit.com/agfuture) to register!



# QUESTIONS?

Michael Kelley

435.257.0179

[mhk@westernagcredit.com](mailto:mhk@westernagcredit.com)

[www.westernagcredit.com](http://www.westernagcredit.com)





## Food Safety Modernization Act - Utah Produce Safety Updates

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This presentation contains information on the implementation of the Produce Safety Rule in Utah. Local resources and contacts will be provided.



**Karin Allen**

*Food Quality Specialist*

Utah State University

[karin.allen@usu.edu](mailto:karin.allen@usu.edu)

Karin Allen is an Associate Professor in the Department of Nutrition, Dietetics and Food Sciences at Utah State University and serves as the Food Quality and Entrepreneurship Specialist for Cooperative Extension. Dr. Allen works with small food producers (both on and off the farm) to address food processing issues including labeling, safety, and regulatory compliance, as well as issues specific to agritourism and community supported agriculture operations.



**L. Niel Allen**

*Irrigation Extension Specialist*

Utah State University

[n.allen@usu.edu](mailto:n.allen@usu.edu)

Dr. L. Niel Allen is the Extension Irrigation Specialist for Utah. He grew up on an irrigated farm in Cove, Utah and received his BS and MS degrees from Utah State University in Agriculture and Irrigation Engineering and a PhD in Civil Engineering from the University of Idaho. He has over 35 years of professional experience including design and installation of irrigation systems, consulting with irrigation districts, water rights, irrigation research, and extension.

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# Produce Safety Rule

*Updates for Utah Growers*

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**EXTENSION**   
**UtahState**University

[EXTENSION.USU.EDU](https://extension.usu.edu)



# Utah's Produce Safety Team

## Utah Department of Agriculture and Food

**Jay Schvaneveldt**

Regulatory Services

Produce Safety Program Manager

[nchvaneveldt@utah.gov](mailto:nchvaneveldt@utah.gov)

**David Basinger**

Plant Industry

Organic/GAP Manager

[dbasinger@utah.gov](mailto:dbasinger@utah.gov)

**Travis Waller**

Regulatory Services

Director

[twaller@utah.gov](mailto:twaller@utah.gov)

## Utah State University Cooperative Extension

**Karin Allen**

Nutrition, Dietetics & Food Sciences

Extension Food Quality Specialist

[karin.allen@usu.edu](mailto:karin.allen@usu.edu)

**Niel Allen**

Civil & Environmental Engineering

Extension Irrigation Specialist

[niel.allen@usu.edu](mailto:niel.allen@usu.edu)

**New Hire**

Nutrition, Dietetics & Food Sciences

Extension Produce Safety Coordinator

# Background on FSMA

- Food Safety Modernization Act signed into law Jan. 4, 2011.
- Seven foundational rules
  - Preventive Controls for Human Food (Final rule Sept. 2015)
  - Preventive Controls for Food for Animals (Final rule Sept. 2015)
  - Foreign Supplier Verification (Final rule Nov. 2015)
  - Produce for Human Consumption (Final rule Nov. 2015)
  - Accreditation of Third-Party Auditors (Final rule Nov. 2015)
  - Mitigation Strategies Against Intentional Adulteration (Final rule May 2016)
  - Sanitary Transportation of Food (Final rule April 2016)

# Rules Applicable to Farms

- Standards for the Growing, Harvesting, Packing, and Holding of Produce for Human Consumption (“Produce Safety Rule”)
  - 21 CFR 112 – Addresses issues related to raw produce
- Current Good Manufacturing Practice and Hazard Analysis and Risk-Based Preventive Controls for Human Food (“Human Food Rule”)
  - 21 CFR 117 – Addresses issues related to processing foods, including produce
- Food Safety rules are adopted by reference in the Utah Food Safety Sanitation Rule (R70-530)
  - 2018 State Legislation to include “produce” as a food in the Utah Wholesome Food Act

# Produce Safety Rule

- Agricultural water quality
- Biological soil amendments
- Domesticated and wild animals
- Worker training and health/hygiene
- Equipment, tools and buildings
- Sprout-specific regulations

# Coverage of Produce Safety Rule

Exemptions based on:

- Type of produce you are growing
  - FDAs “Rarely Consumed Raw” list
- Produce that will be commercially processed to reduce or destroy bacteria
- Annual sales
  - < \$25K total produce, exempt from all parts of rule
  - < \$500K total food sales to qualified end users, exempt from some parts of rule

Online tool is being developed to help you determine coverage for your farm

Size of Farm (Annual sales)	Compliance Dates for Covered Farms <ul style="list-style-type: none"> <li>Separate compliance dates apply to sprout growers</li> </ul>		Compliance Dates for Qualified Exempt Farms <ul style="list-style-type: none"> <li>No more than \$500K average annual sales</li> <li>More than half to Qualified End Users</li> </ul>		
	Agricultural water* (Subpart E)	All other requirements	Recordkeeping to document eligibility	Modified labeling requirements	All other modified requirements
Very small \$25K to \$250K	Jan 26, 2024	Jan 27, 2020	Jan 26, 2016	Jan 1, 2020	Jan 27, 2020
Small \$250K to \$500K	Jan 26, 2023	Jan 28, 2019			Jan 28, 2019
All others above \$500K	Jan 26, 2022	Jan 26, 2018	Not applicable		

\*Proposed compliance dates, rule not yet finalized



# Focusing on Outreach and Training

- UDAF and USU Extension are working together to provide outreach, training, and resources
  - UDAF Produce Safety Website is under development
  - USU Produce Safety Resources: [extension.usu.edu/foodbiz](https://extension.usu.edu/foodbiz)
  - On-Farm Readiness Reviews begin during 2018 growing season
  - Produce Safety Farm Inspections begin during 2019 growing season
- Produce Safety Alliance (PSA) at Cornell University
  - FDA recognized training course
  - Other resources: [producesafetyalliance.cornell.edu](https://producesafetyalliance.cornell.edu)

# Utah Farm Inventory

- UDAF is required to keep an inventory of Covered Utah farms
  - Regulatory Services will take the lead on this with help from Plant Industry and USU Extension
  - FDA definitions of size are based on annual sales
- UDAF needs to keep a separate list of Exempt farms
  - Exempt farms <\$25K
  - Qualified Exempt farms <\$500K selling to qualified end users
  - Exempt farms growing only non-covered produce
  - Exempt farms selling all produce to a commercial processor

# PSA Grower Trainings

- One day training covering all parts of Produce Safety Rule
- Satisfies FDA requirement for training
  - Must attend entire day to receive certificate
- Cost of workshop is \$85+
  - Certificate of completion
  - Training manual and resource guide
- UDAF is currently subsidizing the cost through an FDA grant
- Next training March 22 in Salt Lake (more details coming)

# On-Farm Readiness Reviews

- Created by FDA, NASDA, and Extension as an educational tool
  - UDAF and USU will attend training sessions in April 2018
  - UDAF Plant Industry and USU Extension will jointly conduct OFRRs whenever possible
  - UDAF Regulatory Services will not be involved in OFRRs
- Visits begin during 2018 growing season for large farms
  - Please contact UDAF or USU if your annual sales >\$500K
- Similar to GAP mock audit
  - Goal is to identify issues, provide feedback and solutions before inspections begin following year

# Utah's Produce Safety Team

## Utah Department of Agriculture and Food

**Jay Schvaneveldt**

Regulatory Services

Produce Safety Program Manager

[nchvaneveldt@utah.gov](mailto:nchvaneveldt@utah.gov)

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[dbasinger@utah.gov](mailto:dbasinger@utah.gov)

**Travis Waller**

Regulatory Services

Director

[twaller@utah.gov](mailto:twaller@utah.gov)

## Utah State University Cooperative Extension

**Karin Allen**

Nutrition, Dietetics & Food Sciences

Extension Food Quality Specialist

[karin.allen@usu.edu](mailto:karin.allen@usu.edu)

**Niel Allen**

Civil & Environmental Engineering

Extension Irrigation Specialist

[niel.allen@usu.edu](mailto:niel.allen@usu.edu)

**New Hire**

Nutrition, Dietetics & Food Sciences

Extension Produce Safety Coordinator

# Exemption Tool Demonstration

[https://usu.co1.qualtrics.com/jfe/form/SV\\_cURYubpeTs3AJr7](https://usu.co1.qualtrics.com/jfe/form/SV_cURYubpeTs3AJr7)

## **USDA-FSA Loan Programs for Urban and Small Farms**

Introduction to the Farm Service Agency Microloan Program, real estate and operating loan programs.

**Steven Bartholomew**

*Farm Loan Specialist Manager*

Farm Service Agency

[steven.bartholomew@ut.usda.gov](mailto:steven.bartholomew@ut.usda.gov)

I am a Farm Loan Specialist/Manager for Farm Service Agency. I supervise the Farm Service Agency loan program in Tooele, Salt Lake, Utah, Wasatch and Juab Counties.

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## USDA Rural Development

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Welcome to USDA Rural Development. We are committed to helping improve the economy and quality of life in rural America. Through our programs, we help rural Americans in many ways.

We offer loans, grants and loan guarantees to help create jobs and support economic development and essential services such as housing, health care, first responder services and equipment, and water, electric and communications infrastructure.

We promote economic development by supporting loans to businesses through banks, credit unions and community-managed lending pools. We offer technical assistance and information to help agricultural producers and cooperatives get started and improve the effectiveness of their operations.

We provide technical assistance to help communities undertake community empowerment programs. We help rural residents buy or rent safe, affordable housing and make health and safety repairs to their homes.

- Randy Parker, State Director
- Jason Justeson, Rural Energy for America Program (REAP)
- Barry Christensen, Value Added Producer Grants (VAPG) Program

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## Resources and Funding with NRCS

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I will discuss what NRCS has to offer landowners and agricultural operators in the way of technical advice and financial assistance to qualified applicants.



**Dave Hanson**

*District Conservationist*

NRCS

[david.hanson@ut.usda.gov](mailto:david.hanson@ut.usda.gov)

Dave is a native of the mid-west. He graduated from the University of Wisconsin – Stevens Point in 1983 with a Bachelor’s Degree in Resource Management. He moved to Utah for a year to work for the US Forest Service. He married a local lady also working for the Forest Service. Later, Dave and his wife moved to Texas A&M University and Dave received his Master’s Degree in Range Science.

Dave was a commissioned officer in the Army National Guard for a few years and earned the rank of Captain while “playing” with the Field Artillery.

Dave has worked for the NRCS for 28 years in Ohio, Minnesota and currently in Utah. He and his family moved to the Provo area in early 2002. He is currently the District Conservationist or office manager. He and his staff are responsible for the NRCS programs in Utah, Wasatch, Tooele and Salt Lake Counties.

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**2014**

# **Farm Bill**

**Natural  
Resources  
Conservation  
Service**

David Hanson  
Provo Field Office





5 Years between Farm Bills

Voluntary

\* Must follow policy and federal regulations

Most have a year-around sign up

\* Batching periods

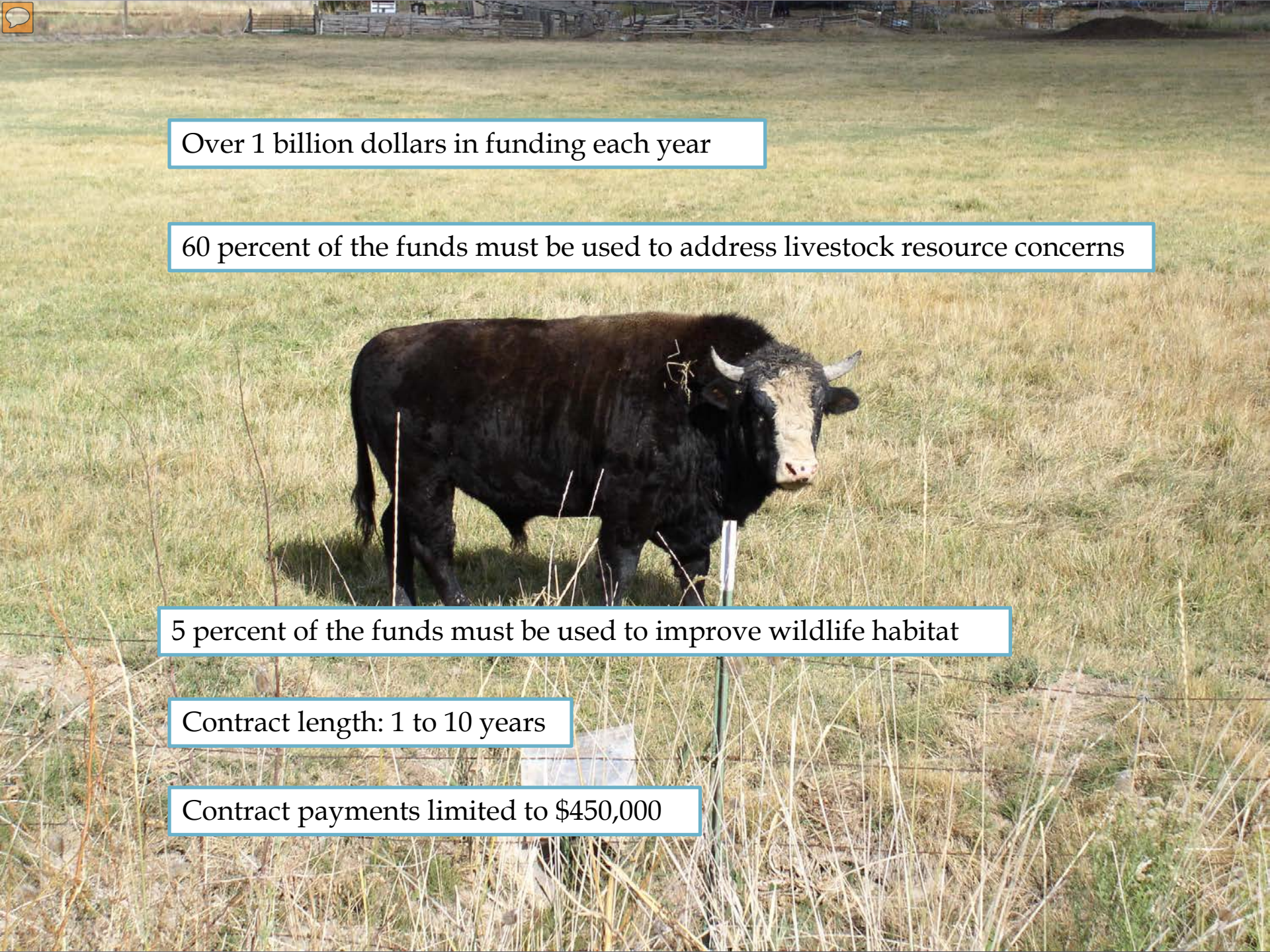
Designed to Protect, Restore, and Enhance  
Environmental Resources





# EQIP





Over 1 billion dollars in funding each year

60 percent of the funds must be used to address livestock resource concerns

5 percent of the funds must be used to improve wildlife habitat

Contract length: 1 to 10 years

Contract payments limited to \$450,000

# Environmental Quality Incentive Program (EQIP)



- ▣ Assists farmers & ranchers facing threats to soil, water, air & related natural resource concerns.
- ▣ Provides cost-share for materials, equipment, or practice installation.



# EQIP Details:

- ▣ Provides financial and technical help to assist eligible participants install or implement structural and management practices on eligible agricultural land.
- ▣ Contract term lasts a minimum of one year after the implementation of the last scheduled practice(s) and a maximum term of ten years.
- ▣ A plan of operations will be developed which identifies appropriate conservation practice(s) to address the resource concerns.

*\*All practices are subject to NRCS technical standards and are adapted for local conditions.*



# EQIP Details:

- ❑ Eligible land in livestock or agricultural production on may participate in the EQIP program. At least \$1,000 worth of agricultural products must be produced to be eligible
- ❑ Cost share rates generally about 65%
- ❑ Beginning farmers and historically underserved/limited resource producers may receive up to 90% cost share
- ❑ Payment Schedule not cost share





# EQIP Eligible Practices

There are hundreds of eligible practices including:

- ▣ Integrated pest management
- ▣ Irrigation systems
- ▣ Manure storage facilities
- ▣ Nutrient management
- ▣ Brush control – Juniper removal
- ▣ Pasture seedings
- ▣ Livestock watering facilities



# EQIP Funding Category: Crop/Hayland

- Funding available for irrigation system upgrades or replacements of aging systems
- Land leveling
- Integrated Pest Management - Orchards



# EQIP Funding Category: Energy Audit

- Conduct an energy audit on your farm headquarters
- Conduct an energy audit on your other farming operations
- A consultant will perform the audit



# EQIP Funding Category: Organics



- ▣ Assist with conversion to organics
- ▣ Assist with state organic certification



# EQIP Funding Category: High Tunnels

- ❑ Must be a commercial product, not home made.
- ❑ Must be 6 feet high minimum with 6 mil plastic.
- ❑ Maximum payment is \$10,000 per year.
- ❑ Plants must be in ground not in pots.
- ❑ May automate and irrigate but no cost share for them.

*High Tunnels*



# NRCS Sage Grouse Initiative

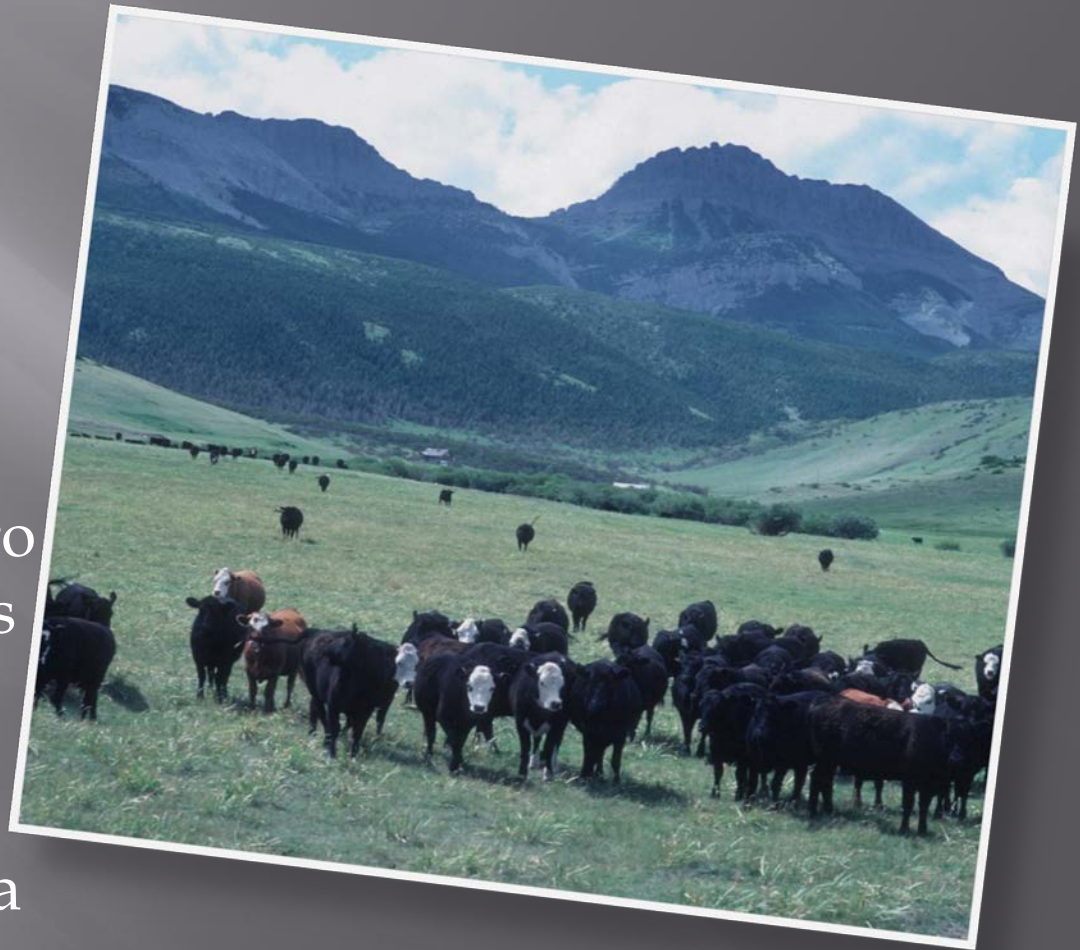
- ▣ Funding is available specifically to help sage grouse habitat improvement and sustainability
- ▣ Typical rangeland improvement practices with an emphasis to prevent injury or death to birds



# Rangeland and Pastureland Fund Pools

Typical practices include:

- Reseeding
- Watering improvements
- Interior fencing to divide paddocks
- Brush Control
- Weed Control
- Tips to manage a stronger forage base



# Animal Feedlot Assistance

- ▣ Assistance with manure storage
- ▣ Distribution of manure onto cropland
- ▣ Composting
- ▣ Relocation and Redesign







**AMA** 



**CSP** 

Authorized to enroll 10 million acres annually

Must meet an environmental threshold and improve one additional resource concern

5 year contracts with option to renew



# Conservation Stewardship Program (CStP)

- ▣ Designed to assist those who have kept good records of the annual management of their operation.
- ▣ Designed for those who are good stewards of the land.
- ▣ And, would like to continue to improve their operation with the installation of additional conservation practices or management changes.
- ▣ This is an annual payment not a cost-share payment.



# Where do I start?

- ▣ First, contact your local USDA Service Center.
- ▣ Speak with one of our Conservation Planners and begin development of a conservation plan.
- ▣ During the process, the planner will visit your farm, conduct a detailed inventory and resource assessment and help you prioritize your resource concerns.
- ▣ You will also need to work with the Farm Services Agency to establish program eligibility including income limitations (AGI) and assignment of farm and tract numbers.



# Then what.....?

- ❑ After the plan is developed, you can apply for funding to help you implement one or more of the practices identified in your conservation plan.
- ❑ Your NRCS representative will help you determine which funding source is best suited to meet your needs.
- ❑ Your proposed project will be ranked and the highest ranking projects will be selected for funding.
- ❑ You will then enter into a contract with NRCS to complete the project according to NRCS standards, after which, you will be paid the cost share specified in your contract.





# ACEP

Designed to keep productive or sensitive lands from the threat of development



# Agricultural Land Easements

Designed to protect our nation's most valuable farm and ranch lands

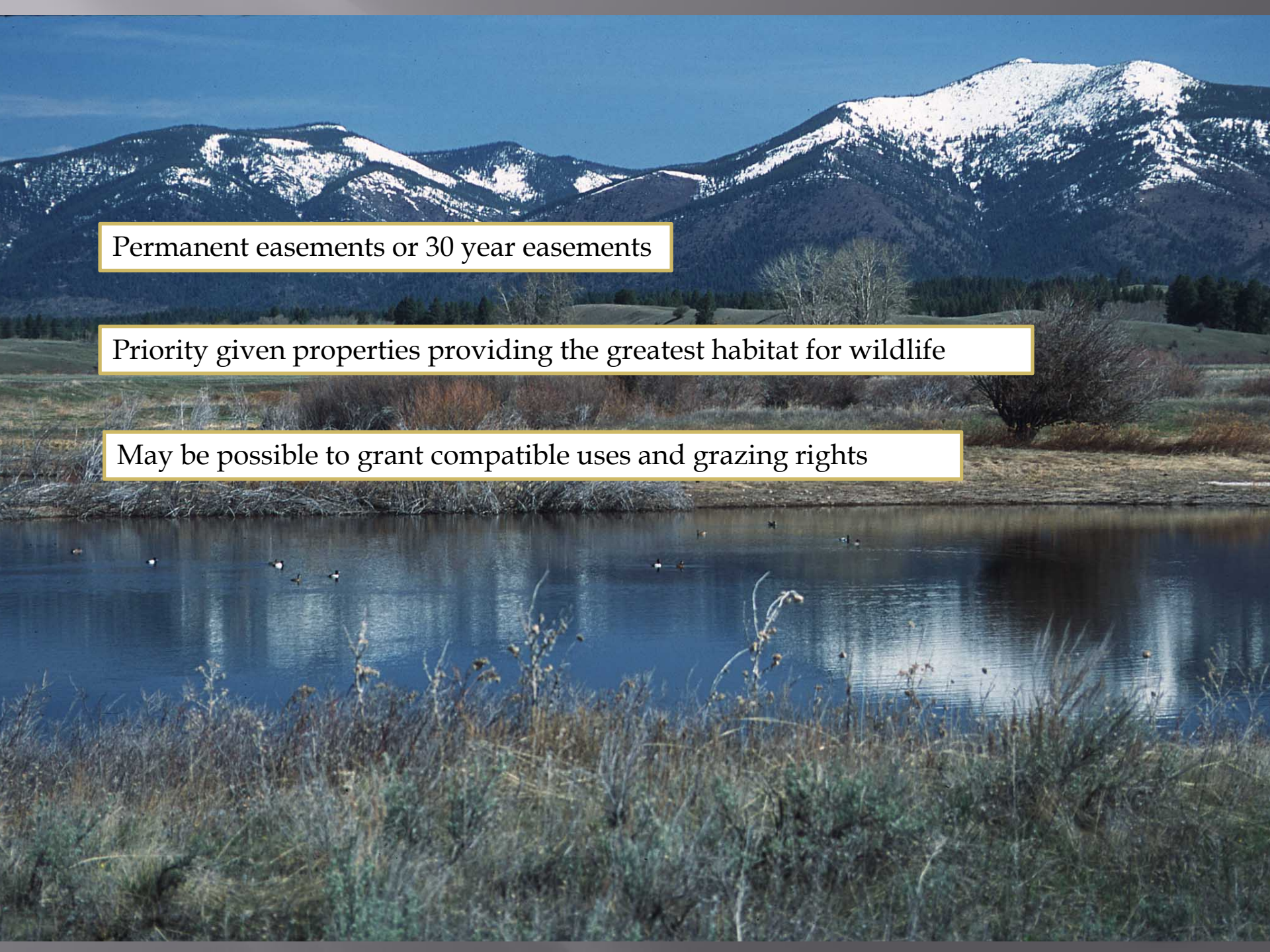




**ACEP**



Wetland Reserve Easements



Permanent easements or 30 year easements

Priority given properties providing the greatest habitat for wildlife

May be possible to grant compatible uses and grazing rights



# HFRP





**RCPP** 





# Conservation Reserve Program (CRP)

- ❑ Administered by the Farm Services Agency with technical assistance from NRCS and state forestry agencies
- ❑ Acreage cap of 24 million acres in 2017
- ❑ Adds working grasslands option of up to 2 million acres
- ❑ One time early out option in 2015
- ❑ Provides more flexibility for cover management
- ❑ Maintains the opportunity for retiring farmers and ranchers to transition these lands to beginning or veteran farmers and ranchers





# Historically Underserved Farmers

Can receive up to 90 cost-share

Advance payments are possible

At least 5% of the funds need  
to be used for HUS farmers





Learn more  
[www.nrcs.usda.gov/FarmBill](http://www.nrcs.usda.gov/FarmBill)

Contact your local NRCS field office

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Natural Resources Conservation Service





# Loans

- ▣ ARDL – 3% through Utah Department of Agriculture and Food. Non NRCS
- ▣ Farm Service Agency – has several opportunities for low interest loans. Non NRCS



# Equal Opportunity

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## Insurance Programs

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We will provide information regarding Whole Farm Revenue Protection and the NAP buy-up program.



**Karli Salisbury**

*M.S. Student Applied Economics*

Utah State University

[Karli.Salisbury@usu.edu](mailto:Karli.Salisbury@usu.edu)

Karli received her BS in Economics from USU and is now working on her MS in Applied Economics with an emphasis in rural development. She is currently working for USU as a research assistant providing money management outreach materials to American Indians as well as conducting impact analysis.

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# Insurance Programs

Whole Farm Revenue Protection & NAP Buy-up

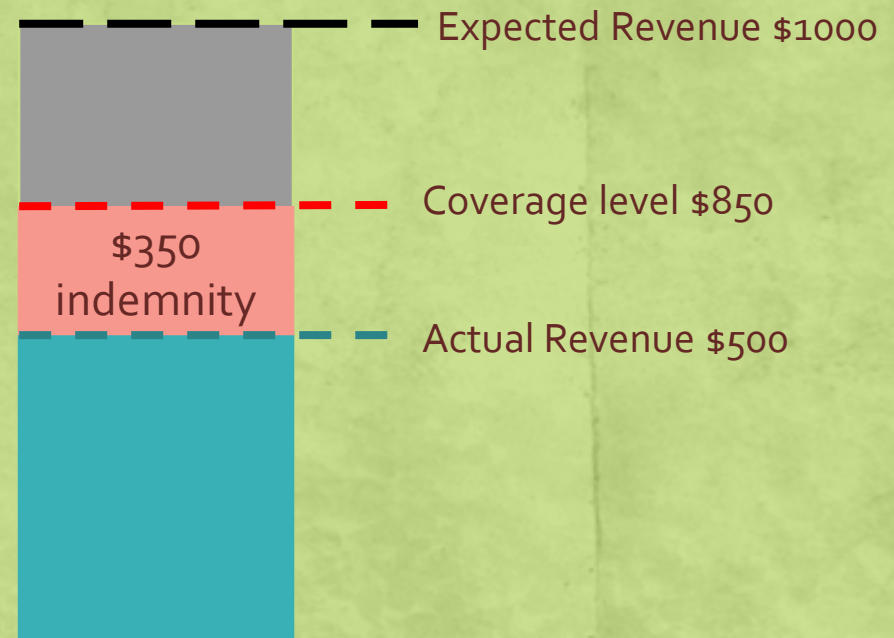
# Whole Farm Revenue Protection

Federal Crop Insurance Corporation Insurance Program  
Risk Management Agency

# How Does Crop Insurance Work?

- Historical Average – Your farm has a revenue of \$1000, so the expected revenue for the current year will be \$1000
- You buy a policy that insures 85% of your expected revenue:
  - $\$1000 \times 85\% = \$850$

Major Flooding hit and wiped out half of your crop. Leaving you with only \$500 in total revenue.



# What kinds of farms can benefit from WFRP?

- Well-suited for:
  - Highly diverse farms
  - Farms with specialty commodities
  - Farms selling to direct markets, specialty markets, regional or local markets, and farm-identity preserved markets
  - as well as organic farms
- Available to all farms or ranches that qualify
- There are some limits for qualification

# What does WFRP cover?

- WFRP provides protection against loss of revenue due to unavoidable natural causes
- Protection against loss of revenue due to local market fluctuations (These are presumed to be from unavoidable natural causes)





# What does WFRP cover?

- Approved Revenue from all commodities produced on the farm:
  - Including animals and animal products up to \$1 million
  - Commodities purchased for resale (up to 50% of total)
  - Excluding timber, forest, forest products, and animals for sport, show or pets
- Replant costs (with approval)

# WFRP does NOT cover

- Negligence, mismanagement
- Damage to machinery or equipment
- Failure to carryout good irrigation practices
- Abandonment
- Theft, mysterious disappearance
- Lack of labor/management of farm
- Failure to obtain a price for any commodity that is reflective of the local market value
- Deterioration of commodities in storage



# What are the features of WFRP?

- Coverage levels 50-85%
  - 5% increments
  - Diversification of 3 commodities (commodity count) required for 80% and 85% coverage levels.
  - No catastrophic level of WFRP available
- Historic revenue is adjusted to reflect farm expansion
  - Automatic indexing process accounts for farm growth historically (Insured may opt out of Indexing)
  - Expanding operations provision allows for up to 35% growth over historic average with insurance company approval

# What are the features of WFRP?

- All farm revenue is insured together under one policy
  - Individual commodity losses are not considered, it is the overall farm revenue that determines losses
- Premium subsidy is available and depends on farm diversification
  - Farms with 2 or more commodities (commodity count) receive whole-farm premium subsidy
  - Farms with 1 commodity receive basic premium subsidy



# WFRP Example

PLAN	LEVEL	TOTAL GUARANTEE	TOTAL COVERAGE	TOTAL PREMIUM	PRODUCER PREMIUM
WFRP	75	37500	37500	3975	795
MPCI Coverage: 0					
<b>Commodity</b>		<b>Revenue</b>			
Bees (Animals)		5000			
Berries (Other)		10000			
Eggs		5000			
Peaches		15000			
Pumpkins		5000			
Sweet Corn (Fresh Market)		<u>10000</u>			
		50000			
<b>Allowable Revenue</b>					
2012:		50000			
2013:		50000			
2014:		50000			
2015:		50000			
2016:		<u>50000</u>			
		250000			
			Minimum qualifying revenue: 2800		
			Reported commodities: 6		
			Qualifying commodities: 6*		
			Allowable Revenue Simple Average: 50000		
			Allowable Revenue Indexed Average: N/A		
			<b>*Refer to qualifying commodity rules for eligibility</b>		

# Eligibility Requirements

- Animal and animal product revenue is less than \$1 million
- Nursey and Greenhouse revenue less than \$1 million
- You must not ONLY raise potatoes
- NOT eligible if you have only ONE commodity and there is a revenue plan under MPC1
- You may use another's tax records if you purchase, inherit or lease an operation
- Cannot have a short tax year
- Cannot be "pass-through" revenue

# What will my agent need from me?

- Five years of farm tax forms (Schedule F)
- Information about what you plan to produce on the farm during the insured year
  - Used to complete the Intended Farm Operation Report
- Summaries of coverage for any individual insurance policies purchased
- Other information as applicable
  - Such as supporting records, your organic certification, inventory or accounts receivable information



# How and Where do I purchase WFRP Insurance?

- WFRP is available for purchase from your local crop insurance agent.
- You can find a crop insurance agent at the following link on the Risk Management Agency (RMA) website:

[www.rma.usda.gov/tools/agent.html](http://www.rma.usda.gov/tools/agent.html)

- These agents work for Approved Insurance Provider's that have reinsurance agreements with the RMA.

# Non-Insured Crop Disaster Assistance Program (NAP)

Farm Service Agency

# Program Basics

- Not a new program
  - 2014 Farm Bill changes
  - NAP covers 100% of the crop's values and up to 65% coverage
  - When adequate price data is available, NAP will cover
    - Organic
    - Direct Market
    - Fresh
    - And Processing Crop Values

# Eligibility

- Producers with an AGI under \$900,000
- Crops that are uninsurable in their area under certain RMA policies
  - Specialty crops
  - Crops planted and grown for livestock consumption
- Farmers utilizing RMA's WFRP Policy can also enroll in NAP
  - CANNOT collect from both when there is a loss

# Service Fees and Premiums

- Beginning, Limited Resource, and Socially Disadvantaged Farmers
  - Waived service fees and a 50% reduction in premiums
- Buy-up Coverage Premium equal to the lesser of:
  - 5.25% of the Payment Limit
  - 5.25% of the Guarantee

# Premiums Example – Payment Limitation

- Payment Limitation:
  - \$125,000 payment limitation
  - $\$125,000 \times 5.25\%$
  - **\$6,562 Maximum Premium**

## Premiums Example – 5.25% Guarantee

- 5 acres Peaches, 181 bu/acre average yield
- Market price \$47.75/bushel
- Selected 65% coverage level
  
- $5 \times 181 = 905 \text{ bu.} \times \$47.75 = \$43,214$
- $\$43,214 \times 65\% = \$28,089$
- $\$28,089 \times 5.25\% = \mathbf{\$1,474 \text{ Premium}}$

# NAP - Participation

- Applying for coverage
- Need to apply at your local county office
- Before growing season begins
- March 15<sup>th</sup> ish
- **Producer Responsibilities**
  - File for coverage before applicable deadline
  - Timely file
    - notice of loss (within 15 days of noticing problem)
    - application for payment after harvest
  - Report crop production each year when doing your annual acreage report with your local office.