Congress of the United States
Washington, DC 20515

April 7, 2004

The Honorable Ann M. Veneman
Secretary of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250

Dear Secretary Veneman

We are writing to comment on the proposed rule concerning Farm Service Agency (FSA) loan programs published February 9, 2004, in the Federal Register.

The proposed regulation, as written, will exclude many family farms from eligibility for FSA direct and guaranteed lending programs. We strongly urge USDA to reject the annual sales limitation and other proposed changes that will negatively impact on the eligibility of thousands of family farms nationwide.

The proposed rule will have an especially detrimental and discriminatory impact against certain types of family farms that have higher gross sales revenue including dairy, greenhouse-nursery, fruit and vegetable family operations. Specific concerns with the regulation include:

Gross sales level: USDA proposes to establish that the typical year gross income of the operation cannot exceed the greater of $750,000 in annual sales or the 95th percentile of farms in the state with sales in excess of $10,000. The size limitation of $750,000 will exclude hundreds of family dairy farms that have more than 220 cows in the Northeast. For example, a 220-cow dairy is a small "mid-sized" dairy farm in the Northeast. It is a small dairy farm in many western states. In the Northeast, many young farmers starting in dairy have farms in excess of 250 cows in order to achieve certain production efficiencies necessary to survive.

The gross sales level will also exclude many family fruit, vegetable, nursery and greenhouse farm operations, crops that are very important to Northeast agriculture. They require greater input costs – higher production costs, higher labor costs, higher marketing costs. To be successful, specialty crop producers must receive higher gross income.

There is no basis in federal law to adopt a regulation that discriminates against these family farm operations based on gross sales.

Family Member Requirement: USDA proposes that the daily operational and management decisions must be made and substantial labor must be provided by the applicant or borrower and persons related to the applicant or borrower by blood or marriage (husband, wife, parent, child, brother, or sister). This FSA definition would exclude family farms that are partnerships made up of cousins, or include an uncle, or a grandparent and a grandchild.As with using any measure of sales, strictly limiting family operations made up of just the relationships detailed in the proposed rule will cause some family operations to be technically ineligible for FSA financing.

The proposed USDA – FSA rule if approved will be especially detrimental to a number of important public policy objectives that need to be promoted, not hindered, by USDA:

1. Young and Beginning Farmers: Often young farmers have lower levels of equity and a loan guarantee helps make their loan viable for a commercial lender. The most effective business size for these family farms varies dramatically, but often exceeds $750,000 in gross sales. It should be pointed out that many family dairy farms with $750,000 in gross sales would have net incomes at very low levels.

2. Farms in Transition: It is critical that family farms evolve to enhance their competitiveness and enable them to successfully adjust to price cycles that often have lengthy low periods. As children move back to the family farm it is also common to consider expansions to enhance long-term viability. The guaranteed loan program has been used effectively in these situations -- often these situations will involve farms with gross sales in excess of $750,000.

   Farms Facing Downturns: Over the past decade we have seen dramatic swings in farm prices. We have also seen multi-year disaster situations that have sharply reduced farm incomes. FSA loan programs have helped many family farms to weather such cycles and continue to be a productive part of agriculture. As with the other examples, these family farms may have gross sales of greater than $750,000.

4. Farms Graduating from the USDA Direct Loan Program: As USDA works with farms to move off the USDA direct loan program, the guaranteed loan program is used to assist the transition. Going forward many USDA direct loans will no longer be eligible to become guaranteed loans due to the gross sales limitation.

We strongly urge you to reject the gross sales limit and other limiting regulations for defining a family farm. This will hurt and in many cases stop young farm families that are the future of American agriculture from making the necessary business adjustments to succeed in our global economy.

Thank you for your consideration.

Sincerely,

John M. McHugh, M.C.

Bernie Sanders, M.C.

Don Sherwood, M.C.

Tom Reynolds, M.C.

James McGovern, M.C.

Jeb Bradley, M.C.

Phil English, M.C.

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Michael Michaud, M.C.

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Michael McNulty, M.C.

Roscoe Bartlett, M.C.

Maurice Hinchey, M.C.

cc: Carolyn B. Cooksie, Deputy Administrator
USDA Farm Loan Programs