

How Minnesota keeps her farms producing

BY CURT HARLER
ST. PAUL, Minn. — In Minnesota not every future farmer is born rich enough to buy his own farm. And every potential farmer is not

fortunate enough to be born into or marry into agriculture. The situation is much the same in Pennsylvania, of course.

But Minnesota farmers have the advantage of a Farm Security Program.

According to Minnesota Agriculture Commissioner Mark Seetin, the program was created to assist farmers who otherwise would be unable to obtain credit to purchase farm real estate.

It seems to be working well. Minnesota stands out as one state with no measurable loss of farmland in the past decade.

The state guarantees loans and defers interest payments for farms.

The program provides a 90 percent guaranty on loans made through any lender or on a contract for deed and may provide a four percent interest adjustment payment on the outstanding principal balance of the loan.

The program got underway in 1976 when the Minnesota legislature enacted its Family Farm Security Act to be administered by its Commissioner of Agriculture.

According to Bob Swanson of the Minnesota Ag Department, there are 10 eligibility requirements.

First, the applicant must live in Minnesota after the loan is granted. There is no residency requirement, so an out-of-state farmer could move into Minnesota to take advantage of the program.

The applicant must possess the ability to manage a farm. And the person must agree to participate in a farm management program. That requirement assures

the state that the farm will be managed with up-to-date methods and the owner will not slack off on management responsibilities.

The applicant, spouse, and dependents must have a net worth of less than \$75,000.

The applicant must demonstrate the need for a guaranteed loan by detailing possible family financial assistance or the possibility of a non-guaranteed loan from any lender.

The state also requires financial statements for the past two years. And the applicant must prepare a cash flow to show the ability to repay the proposed farm loan.

In addition to being credit worthy to that degree, the applicant must have machinery and equipment available plus operating capital or a line of credit to operate the proposed farm. The important word in that requirement is "available."

Farming must be the principal occupation of the applicant.

Any person who meets all of the requirements may be eligible for a Minnesota Farm Security loan guaranty.

The program is designed to help the farmer who has a tangible record of farming experience. The experience would support future cash flow projections to minimize risk to both the lender and the state.

The established applicant's position may outweigh educational and

other off-the-farm job experiences.

The applicant currently renting land or managing an efficient livestock operation also has a step up.

There is no age, acre, or dollar limit for applications.

According to a statement by Commissioner Seetin last Wednesday, increasing legal and financial complexities have slowed Minnesota's program.

Only one farm loan was approved in January — money to a Sibley County couple for the purchase of a 160 acre dairy farm near Gibbon.

That loan brought to 187 the total number of new farm owners established under the program.

The overall loan volume guaranteed, according to Seetin, now exceeds \$31.3 million on 30,049 acres of Minnesota farm land.

Although the general tone of the economy, inflated land and high farm production costs have increased problems for buyers, sellers, and lenders, there still are plenty of applicants.

Program Administrator Wayne Marzolf said his Farm Security office has 21 applications in process but several of those need more information, including written partnership agreements on labor, machinery, management, and financial obligations.

There have been misunderstandings in the past year, especially in the area of partnerships.

No longer will the state accept verbal partnership agreements in loan applications. The purpose is to minimize misunderstandings and problems that may be experienced later due to changing weather, market disruptions, national policy, and other un-anticipated circumstances.

The law, while it allows operation of a farm as a partnership, requires individual ownership of the land.

The Department emphasizes the program only provides a guarantee; the applicant must find his own source of funds. But that job

is made easier with a guarantee.

Minnesota pays four percent of the interest on behalf of the applicant. Payment is made to any lender on the outstanding balance of the loan, regardless of the actual rate of interest agreed upon.

Two provisions include: the loan must be completely amortized in 20 years or less without a balloon payment; or the loan must be amortized for 20 years with a balloon payment in 10 years or less.

The applicant becomes ineligible for the payment adjustment if his net worth exceeds \$135,000.

The guaranty to the lender is not affected in any manner by the payment adjustment.

The loan applicant must repay the total amount paid by Minnesota in payment adjustments. The funds become due at the maturity of the loan.

But there is no interest charge on the money the state advanced.

The decision on who is granted a loan and who is denied one is made by the Family Farm Security Advisory Council.

This Council is made up of seven members: two bankers, four farmers, and one vocational agriculture coordinator.

The Council has to advise the Department regarding the Program, review all applications, and make recommendations concerning loans.

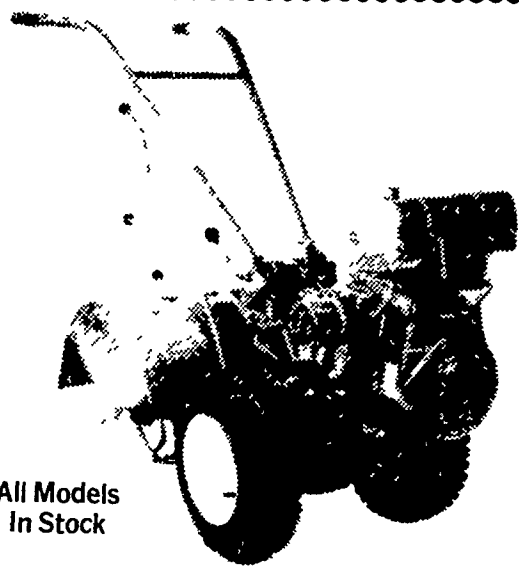
The Council meets monthly to review all applications.

In addition to its fine background in saving Minnesota farmland, the program has been endorsed by several states which have adopted the Minnesota program as a model for laws in their own states.

Most of the states with similar programs at present are in the West.

Spending on farm inputs will rise 11 percent in 1980, after a 16 percent increase in 1979, predict U.S. Department of Agriculture economists.

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