

FSA Provides USDA Farm Storage Loans

WEST CHESTER (Chester Co.)— County Executive Director Hollis D. Baker recently reminded Chester-Delaware County farmers of Farm Storage Facility Loans available through the Farm Service Agency (FSA).

"At a time when commercial storage facilities are at maximum capacity and charging premium rates nationwide, on-farm storage provides producers with an attractive alternative," said Ms. Baker.

The Farm Service Agency is offering seven-year, low-cost loans to grain producers desiring to build new or upgrade existing storage facilities and

related essential, permanently affixed drying or handling equipment. Eligible loan opportunities include, but are not limited to:

- New conventional-type cribs or bins, oxygen-limiting and other upright silo-type structures, and flat-type structures designed for whole grain storage.

- Perforated floors, safety equipment, quality improvement equipment, electrical equipment and concrete components considered essential for a fully functional storage facility.

- Remodeling existing storage facilities.

According to Ms. Baker, marketing flexibility is the primary benefit gained from on-farm storage facilities. "Privately owned facilities give producers control over where and when they sell their crops, increasing their opportunity to get the best price for their crop," said Ms. Baker.

Farm Storage Facility Loans must be approved prior to site preparation, equipment purchase or construction, and must be secured by a promissory note and security agreement. Special real estate provisions apply for loans exceeding \$50,000 or when the aggregate outstanding loan

balance exceeds \$50,000.

The maximum loan amount will be 85 percent of the net cost of the applicant's needed storage or handling equipment, not to exceed \$100,000 per borrower. A minimum downpayment to the supplier or contractor is required to bridge the gap between the net cost of the storage facility and the loan amount.

Fixed interest rates on Farm Storage Loans are equivalent to the rate of interest charged on U.S. Treasury Securities of comparable maturity on the date the loan is approved. As of May 2001, the annual interest rate is

five percent.

"Although we are in the early stages of 2001 crops, advance planning for storage will mean one less decision that needs to be made at harvest, allowing time to develop marketing strategies to maximize potential income," said Ms. Baker.

For detailed applicant and facility eligibility criteria regarding Farm Storage Facility Loans, and to schedule an appointment to file an application, contact the Chester-Delaware County office at (610) 696-8750, Ext. 2, or visit FSA on the World Wide Web at <http://www.fsa.usda.gov>.

New Environmental Regulations Threaten Farmer Cooperative Refiners

WASHINGTON, D.C. — Burdensome new environmental regulations, combined with a lack of access to capital, threaten farmer-owned cooperative refiners, which play a vital role in meeting the fuel needs of farms and rural America.

"Though less than two percent of the refining industry, farmer cooperatives supply about 40 percent of all on-farm fuel needs in the United States," David Graves, president and CEO of the National Council of

Farmer Cooperatives (NCFC), recently told the House Committee on Agriculture's Subcommittee on Conservation, Credit, Rural Development and Research. These farmer-owned businesses also supply much of the highway diesel and home heating oil used in rural America, being the sole supplier in many areas.

The farm supply cooperatives serve as an important component of the U.S. energy infras-

structure. Unique in the refining industry, these businesses are owned by their farmer-customers, resulting in sensitivity to the special energy needs of rural America.

Now, however, new environmental regulations from the Environmental Protection Agency (EPA) threaten the continued economic viability of the cooperative petroleum refining system. These cooperatives, unlike other private companies, do not have equal access to capital markets; for instance, they can not generally issue stock to raise the money necessary to implement the new regulations. "The combined capital costs for cooperative refiners to meet sulfur requirements for gasoline and

diesel fuel over a compressed time period total an estimated \$400 million-500 million, far exceeding the current book value of these farmer-owned assets," says Graves.

The added costs of these regulations offer no return on investment, and divert funds from profit making enterprises. This adversely affects the farmer-owners, who suffer through reduced patronage earnings and erosion of their equity investment.

To address the problem, NCFC proposes a modernization of the B&I loan program. This would allow cooperative refiners to meet their regulatory burdens, while at the same time giving all farmer cooperatives

better access to the capital necessary to pursue new market opportunities and help their farmer-owners generate more income. NCFC also believes that Congress and the administration should explore other ways of helping farmers join together to improve their economic well-being.

While the USDA's Business and Industry (B&I) loan program does offer financial assistance to rural businesses, loans are capped at \$25 million. "Unfortunately, the identified regulatory compliance capital requirements alone faced by farmer-cooperative refiners overwhelm the current design capacity of the B&I loan program," Graves said.

NCGA Gets Good Reviews On Farm Bill Proposal

WASHINGTON, D.C. — The early reviews are in, and the consensus of policymakers in Washington is that the National Corn Growers Association's (NCGA) innovative counter-cyclical income support proposal deserves serious consideration.

Since NCGA unveiled its farm bill proposal in testimony before the House Agriculture Committee on April 25, reaction from federal agencies, Capitol Hill offices and other commodity groups has been encouraging.

In the last month, NCGA has been busy briefing administration officials, congressional leaders and other farm groups on the merits of our proposal. The timeframe for incorporating the counter-cyclical income support proposal into a new farm bill is limited. In all likelihood, a farm bill will be reported out of the House Agriculture Committee by the end of July.

The accelerated schedule the House will follow in crafting a

farm bill provides precious little time for NCGA, its state associations, checkoff boards and other advocates to influence their work. The Senate Ag Committee is expected to announce its hearing schedule soon.

Brent Porteus, chairman of the NCGA Public Policy Action Team and a Coshocton, Ohio, farmer said: "Our biggest challenge now is to get people to look at our proposal and evaluate it on its merits. It's really important to understand that our counter-cyclical proposal incorporates-and does not replace-what worked well in the '96 Farm Bill. But it also represents an evolution in policy in that it capitalizes on the previous bill's strengths in a manner that is WTO friendly. The beauty of our counter-cyclical proposal is that it moves us down the road in terms of creating a good market-driven policy that avoids the pitfalls of previous policies that were market-distorting."

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