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Finding: Farm Economy

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## Nearly 14,000 USDA Microloans Issued Between 2013 and 2015

by Sarah Tulman



In January 2013, USDA's Farm Service Agency (FSA) launched the Direct Farm Operating Microloan program to better serve the credit needs of small farms, beginning farmers, socially disadvantaged applicants (SDA, consisting of women and minorities), and veterans. These Microloans, which have a \$50,000 limit, are designed to be more convenient and accessible to new and nontraditional farmers than FSA's traditional Direct Operating Loans (DOLs), which have a maximum loan size of \$300,000.

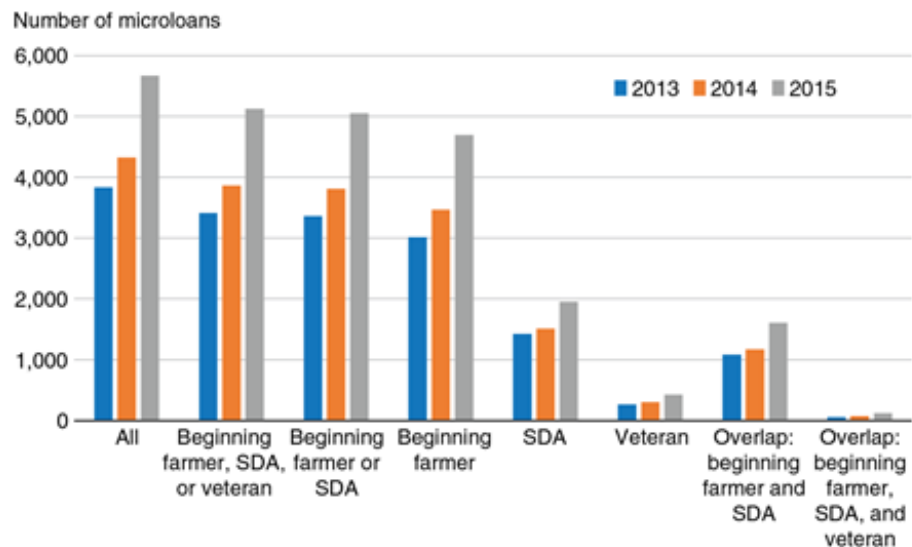
Many farmers who would otherwise be interested in a traditional DOL might forego applying because of the lengthy application process or requirements that can be more difficult for less established farmers to meet. The Microloan program is designed to lower these barriers. Microloans, for example, have relaxed requirements for farm management experience, production history, and collateral.

USDA researchers examined lending patterns in the Microloan program since its inception. FSA has made over 13,800 Microloans as of mid-November 2015. As the chart shows, the number of Microloans grew from 2013 to 2015, both overall and within each group that the program targeted. The number of loans increased 13 percent from 2013 to 2014 and 31 percent from 2014 to 2015.

Several patterns appear when comparing the distribution of Microloans across groups of borrowers. Farmers belonging to one or more of the program's targeted groups—beginning farmers, SDA borrowers, and veterans—received the most Microloans overall, almost 90 percent between 2013 and 2015. By comparison, less than 60 percent of U.S. farms had at least one operator from any of those groups, according to the 2012 Census of Agriculture. This shows that the Microloans program targeted these groups beyond their overall distribution across U.S. farms.

Overall, beginning farmers received the most Microloans between 2013 and 2015: 81 percent. SDA borrowers received 35 percent of all Microloans; the majority of these borrowers were also beginning farmers. Veterans received 7 percent of all Microloans during this period. Even as the number of Microloans grew over time, the composition of borrowers remained fairly stable.

FSA issued the majority of Direct Operating Microloans to the program's targeted groups



Note: SDA = Socially Disadvantaged Applicants (women and minorities). Data report the total number of Microloans from 2013 through November 10, 2015.

Source: USDA, Economic Research Service using loan obligation data from the USDA, Farm Service Agency (FSA).

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This article is drawn from...

***USDA Microloans for Farmers: Participation Patterns and Effects of Outreach***, by Sarah Tulman, Nathaniel Higgins, Robert Williams, Michael Gerling, Charles Dodson, and Bruce McWilliams, ERS, December 2016

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