Ivan Maluski
Policy Director
Friends of Family Farmers
249 Liberty St. NE, Suite 212

March 23, 2015

# Testimony in Support of HB 3239
# House Business and Labor Committee

Chair Holvey, members of the Committee:

Thank you for the opportunity to testify in support of HB 3239 today. This bill will improve access to Oregon's existing 'Aggie Bond' beginning and expanding farmer lending program by expanding who qualifies as a 'participating lender.'

In 2013 the Oregon Legislature passed HB 2700, Oregon's Beginning and Expanding Farmer Loan Program, to incentivize lower interest lending for beginning and smaller farmers. With the average age of Oregon farmers nearing 60 years old, it is estimated that between 25 - 50% of Oregon farmland will change hands in coming decades, according to the Oregon Department of Agriculture. It is currently very hard for new and smaller farmers to purchase land or expand their operations as many financial institutions refuse to lend to farm businesses, or only offer very high interest rates. Programs to aid beginning farmers in accessing land and equipment, including through lower interest lending, are increasingly necessary. The Oregon Beginning and Expanding Farmer Loan Program is meant to assist beginning and smaller farmers in the acquisition of agricultural land, agricultural improvements, and depreciable agricultural property including breeding livestock and equipment.

Specifically, HB 3239 adds Farm Credit Services, one of the region's top farm lenders, to the list of approved lenders under the state's existing Aggie Bond program. Farm Credit Services was intended to be included as an eligible lender in the 2013 bill, but it has been learned since that the definition was not in fact broad enough to include them. HB 3239 also adds owner-financed agreements as a form of eligible lending, in which a landowner agrees to carry the loan for a qualifying beginning farmer through a purchase agreement or sales contract.

The Aggie Bond program does not lend state money. Rather, the state issues tax exempt private activity bonds for the amount of the loan, allowing lenders to receive a federal tax credit when they lend to qualifying small and beginning farmers as defined in the IRS code. This can lower interest rates significantly and save qualifying farmers thousands of dollars per year in interest payments. Farmers can also "piggy back" this program with federal (ie, Farm Service Agency) lending and loan guarantee programs accessible to beginning farmers. Because farm interest rates are typically higher than residential interest rates, by lowering interest rates for beginning farmers this program will help improve cash flow and build equity, while aiding a newer generation of farmers in access to land. While Business Oregon determines a loan's eligibility for the program and whether a bond will be issued, the loan and the bond are secured solely by the collateral required by the lender and are not obligations of state of Oregon. Nothing in HB 3239 will change these safeguards.

Thank you for your consideration of this important bill.