WASHINGTON â€“ Today, Representatives Joe Courtney (D-CT), Bill Owens (D-NY) and Richard Hanna (R-NY) reintroduced legislation that would improve access to credit for family farmers. H.R. 874, the Agricultural Credit Expansion Act of 2011, would expand the range of business structures that qualify for loans through the Farm Service Agency (FSA), ensuring more family farms are eligible for a wider flow of credit during economically challenging times when they need it the most.

“As farmers continue their economic recovery, it is vital that we provide them with the access to capital needed to keep their businesses open,” said Courtney. “This legislation will help farmers who are currently unable to access FSA loans finally get the resources they need. Additionally, this will benefit the next generation of farmers by aiding families who are passing their farm onto their children.”

“Many family farms are continuing to struggle with tighter credit markets resulting from the economic downturn,” said Owens. “As a result, the balance sheets of millions of farmers are considerably weaker, making access to loan guarantees and direct loans from the FSA critical. This legislation would improve access to this type of credit for family farms across Upstate.”

“Family farmers in New York are hardworking, proud folks who want to continue producing quality products for our families and markets abroad,” Hanna said. “This bill does not create a new program or increase spending but modernizes the FSA loan program to keep pace with the modern business practices of our farmers.”

Two types of business structures that are increasingly common among family farms do not currently qualify for loans through the FSA. One structure occurs when family farms divide into a farm ownership LLC and farm operating LLC to facilitate ownership by multiple family members. This is typically done to ease the generational transfer of a farm business and for liability protection. However, because the operator of the farm (the operating LLC) does not own the farm (farm ownership LLC), the farm is not eligible for a loan.

Farms operating with an embedded entity structure are also currently ineligible for an FSA guarantee. An embedded entity occurs when one entity is owned wholly or partly by another entity. For example, Joe and Jane Farmer may decide to transfer their individual ownership interests in Farm Operating, LLC to Joe Farmer Revocable Trust and Jane Farmer Revocable Trust. However, once the trusts own the LLC, the LLC is no longer eligible for a FSA guarantee although the farm operation has not fundamentally changed. This embedded entity situation is occurring more frequently as more farmers complete estate planning.