



# Resilience CAP

## Policy for Resilient Agricultural Systems: Capital Recommendations

The Resilience CAP is a federally-funded, multi-institution research project seeking to increase the resilience of U.S. agricultural systems. These policy recommendations were developed through several focus groups with experts throughout the agricultural sector.

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### RECOMMENDATIONS AT A GLANCE

#### **ACCESS TO LAND**

- States and farmer-support organizations develop training and educational materials for farmers about how renting farmland can be an effective way to access farmland and build a profitable and sustainable operation.
- States and farmer-support organizations provide educational and administrative resources to enable and encourage long-term farmland leases that align incentives between landowners and operators and support the adoption of resilient, multi-year practices.
- States increase support for efforts to match landowners with potential agricultural buyers or farmer-renters who share a common interest in resilient agricultural practices.

#### **ACCESS TO CREDIT**

- Farm Credit Associations (FCAs) establish and/or expand low-collateral microloan programs targeting diversified producers, either through the Farm Credit System supporting microloan program development at each FCA, and/or through establishing a time-limited re-insurance program protecting innovative FCA lenders.
- States and farmer-support organizations, land trusts, and similar groups encourage farmers to use nontraditional financing opportunities, such as the Farm Service Agency (FSA) beginning farmer program, “buy-protect-sell” models of land transfer, or programs offered by land trust organizations.

#### **ACCESS TO INSURANCE**

- The USDA’s Risk Management Agency continues to evaluate and adjust insurance products such as Whole Farm Revenue Protection (WFRP) and the Non-insured Disaster Assistance Program (NAP) to better address the challenges faced by diversified producers using more resilient practices.
- States and farmer-supporting organizations establish and support collection of production and market data for emerging agricultural products to support the Risk Management Agency in offering insurance products for these emerging crops in new regions.
- States and farmer-support organizations encourage small-scale and diversified farmers to consider personal and business insurance coverage products to protect their farming enterprise. Life, home, property, “key person,” and other insurance coverages may help farmers reduce risks.



## Access to land, credit, and insurance supports farmers using resilient practices

### Farmers need access to land.

#### Recommendations:

- States and farmer-support organizations develop training and educational materials for farmers about how renting farmland can be an effective way to access farmland and build a profitable and sustainable operation.
- States and farmer-support organizations provide educational and administrative resources to enable and encourage long-term farmland leases that align incentives between landowners and operators and support the adoption of resilient, multi-year practices.
- States increase support for efforts to match landowners with potential agricultural buyers or farmer-renters who share a common interest in resilient agricultural practices.

Many farmers struggle to access the land they need to build a successful and profitable farm. This is especially true of young and beginning farmers and those without a family history in agriculture. Specifically, farmers have difficulty finding land in appropriate locations, finding landowners willing to sell or rent their land, and securing financing to purchase land. These challenges are especially acute for farmers producing emerging crops and those using more resilient practices.

Likewise, landowners who otherwise might consider selling their land may have several reasons they choose not to, or may not be willing to sell at prices affordable to farmers. For example, many landowners depend on their land's value to fund retirement, and therefore retain ownership to maintain a stream of income. That land then is not on the market, or the sale price is more expensive than a beginning farmer can afford. Likewise, many landowners want to retain their land for cultural or family reasons, or are committed to protecting their land's long-term ecological or agricultural characteristics, and wish to maintain ownership to achieve those goals.

Given these reasons, landowners may be more willing to rent land to farmers than they are to sell. Many farmers assume that purchasing land is the best way to grow a farm enterprise. However, considering the difficulties in purchasing land, **exploring longer term leasing arrangements may provide valuable opportunities for both farmers and landowners.** To support farmers struggling to access land, states and farmer-supporting organizations should support and encourage equitable, longer-term rental agreements between farmers and landowners.



## Farmers need access to sufficient, affordable credit.

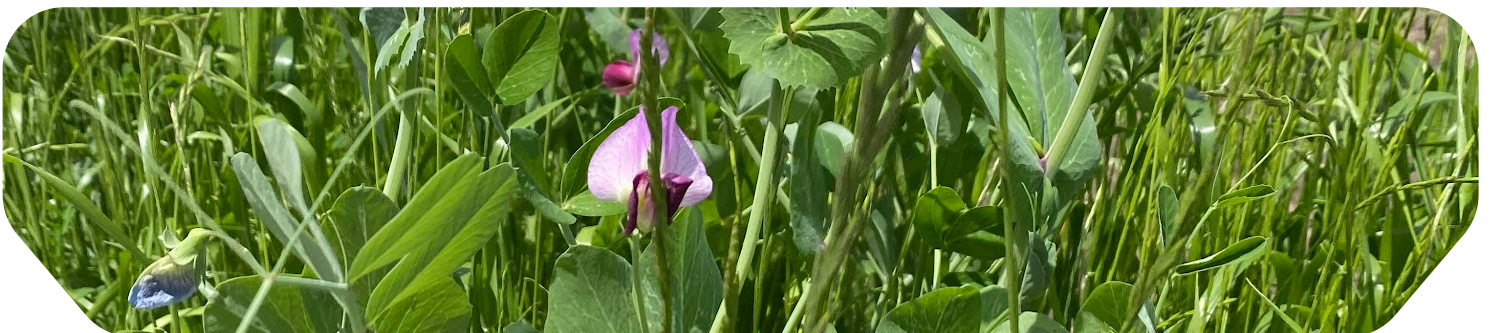
### Recommendations:

- Farm Credit Associations (FCAs) establish and/or expand low-collateral microloan programs targeting diversified producers. This could be accomplished either through the Farm Credit System implementing system-wide innovation supporting microloan program development at each FCA, and/or through establishing a time-limited re-insurance program protecting innovative FCA lenders. In this second case, an FCA would implement a microloan program for a limited time with the guarantee of loss coverage through the FCS.
- States and farmer-support organizations, land trusts, and similar groups encourage farmers to use nontraditional financing opportunities, such as the Farm Service Agency (FSA) beginning farmer program, “buy-protect-sell” models of land transfer, or programs offered by land trust organizations.

Agricultural credit is most readily available for farmers producing regionally-typical products using conventional practices. This is partially due to the fact that regionally-typical products are more likely to have access to crop insurance policies that reduce a lender’s risk. Producers who want to explore more resilient practices frequently struggle to access credit through traditional channels at competitive rates. **Small-scale farmers growing many different species are especially credit constrained.**

One reason insurers prefer conventional practices is that, by definition, there is a great deal more actuarial data about those practices. Even when robust scientific research exists supporting the use of new or more complex agricultural practices, insurers often hesitate to offer coverage for those systems until they become well established. Furthermore, smaller-scale, new, or low-resource farmers may not know about or be able to access existing non-traditional financing products that are meant to at least partially address their needs.

Farmers can get loans from several sources, including traditional banks, the USDA’s Farm Service Agency, Farm Credit Associations, and other sources. Farm Credit Associations, which are lenders in the federal Farm Credit System (FCS), are a particularly important source of credit for many farmers across the United States.





## Farmers need access to appropriate insurance.

### Recommendations:

- The USDA's Risk Management Agency continues to evaluate and adjust insurance products such as Whole Farm Revenue Protection (WFRP) and the Non-insured Disaster Assistance Program (NAP) to better address the challenges faced by diversified producers using more resilient practices.
- States and farmer-supporting organizations establish and support collection of production and market data for emerging agricultural products in order to allow the Risk Management Agency to evaluate, develop, and offer insurance products for these emerging crops in new regions.
- States and farmer-support organizations encourage small-scale and diversified farmers to consider personal and business insurance coverage products to protect their farming enterprise. Life, home, property, "key person," and other insurance coverages may help farmers reduce risks associated with their farming enterprise.

More resilient farming systems are often characterized by variable production and products with limited or specialty markets. Producers in these systems disproportionately lack access to formal insurance products to manage economic risk. **The existing programs meant to serve them, such as the Whole Farm Revenue Protection (WFRP) and the Non-insured Disaster Assistance Program (NAP), do not currently meet their needs** due to (1) excessive documentation requirements, (2) inflexible underwriting standards, and (3) low coverage levels, among other challenges.

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