

Farm & Rural Communities



FSA Credit Programs Target Minority Farmers

Racial and ethnic minorities often rely on USDA's Farm Service Agency (FSA) loan programs for their credit needs, especially in regions where minority farmers are clustered. FSA direct and guaranteed farm loan programs, which service 7 percent of all farms, are intended to provide credit to family farmers unable to get credit from conventional sources at reasonable rates and terms. Because many have limited financial resources, minority family farmers are more likely to turn to FSA than to private lenders for credit.

Minority Farmer Numbers Growing

According to the Census of Agriculture, four major groups of racial and ethnic minorities are involved in farming: Blacks, American Indians, Asians and Pacific Islanders, and those with either a Hispanic or Latino background. From 1992 to 1997, the total number of farms operated by Blacks, American Indians, and other racial minority groups rose 10 percent to 47,658. In addition, the number of farmers who claimed a Hispanic or Latino background rose 32 percent to 27,717. Growth in Hispanic or Latino farmers and Asian farmers is consistent

with growth of these racial and ethnic groups in the U.S. population.

The number of Black-operated farms, unlike farms of most other racial minority groups, declined slightly from 1992 to 1997—to just 18,451 farms—and may continue to decline. Black farmers on average are older than farmers of other racial groups. Only 4 percent of Black farmers are under 35 years of age, while nearly a quarter are at least 70 years old.

Racial and ethnic minority farmers tend to be regionally clustered, often the result of historical factors. Hispanic or Latino farmers tend to be located in the Southwest, American Indians in the Plains, and Black farmers along the Southern Coastal Plain, parts of the Piedmont, and the Mississippi River Delta. Asian farmers are found primarily in California.

Racial and ethnic minority farmers tend to operate smaller operations than nonminor-

ity farmers. Only about a third of minority farms reported sales greater than \$10,000 in 1997, compared with half for all farms. However, some minority-operated farms are large, bringing the average size to just under \$103,000, the average for all farms. Farms operated by Blacks, however, had average sales of \$26,000, while farms operated by Asian and Pacific Islanders had sales averaging \$209,000. A high proportion of Asians and Pacific Islanders operate farms producing high-value fruit, vegetable, or greenhouse crops, whereas over half of Black farmers have small beef-cattle operations.

Targeting Loans to Minorities

Since the late 1980's, legislative and administrative changes have increased FSA loan services specifically targeted to farmers who may be socially disadvantaged (SDA). The Agricultural Credit Act of 1987 (P.L. 100-233) defined SDA individuals as those who may have been subject to discrimination because of their identity as members of a group, without regard to their individual qualities. In addition to racial and ethnic minorities, women are also considered an SDA group (this analysis includes women in racial and ethnic minority groups only). Initially, the targeting applied only to long-term real estate, or farm ownership, loans, but the Food, Agriculture, Conservation, and Trade Act of 1990 (P.L. 101-624) expanded targeting to include operating loans.

Targeting of loans is accomplished by setting aside a share of the annual loan funding for use by SDA applicants, based on the proportion of SDA farmers or residents in the county or state. Both direct and guaranteed loan programs have targeting requirements. Direct loans are made through FSA's county and state offices, and FSA-guaranteed loans are originated, funded, and serviced by private-sector lenders. Through both direct and guaranteed loan programs, \$296 million was lent to SDA groups in

Black farmers' claims that FSA programs were failing to adequately serve their credit needs resulted in a class action lawsuit against FSA in 1997. In the lawsuit, Black farmers alleged a pattern of discrimination in farm loan programs between 1981 and 1996. In 1999, FSA agreed to settle the lawsuit by compensating eligible plaintiffs.

fiscal 1999, about 8 percent of total FSA loan obligations.

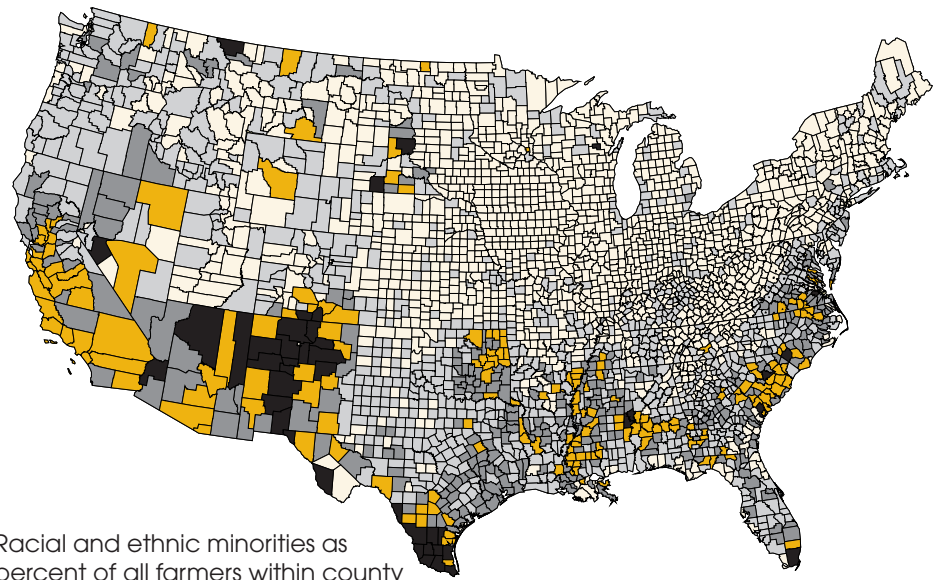
Racial and ethnic minority farmers make more use of direct loan programs than guaranteed loan programs. About 1,200 borrowers, or only 3 percent of all borrowers with FSA guaranteed loans, are racial or ethnic minorities. While minorities represented less than 4 percent of U.S. farmers in 1997, they comprised nearly 6,600, or almost 7 percent of all FSA direct borrowers in 1999 excluding lending in Puerto Rico.

In counties where racial and ethnic minorities are clustered, these groups have received a large share of all FSA direct loans since 1993. Minorities received over 25 percent of all such loans since 1993 in 370 counties (counties nationwide number 3,101). Nationally, minorities received 9 percent of all FSA direct loans since 1993.

In some regions, racial and ethnic minorities rely heavily on FSA as a source of capital. In nearly 90 counties where Black farmers are concentrated—in the Mississippi Delta, Southern Coastal Plain from Virginia to Georgia, and parts of the Piedmont—over 25 percent of all Black farmers identified by the 1997 Census of Agriculture had received FSA direct loans since 1993. For many counties on or near Indian reservations, over 25 percent of American Indian farmers were recent FSA borrowers. Likewise, for some counties in West Texas and the Southwest, over 25 percent of Hispanic farmers had obtained an FSA loan in the last 7 years.

Because racial and ethnic minorities are more likely to have low average incomes and a limited asset base, they are less likely than other farmers to qualify for credit from private lenders. Discrimination by private-sector lenders represents another possible explanation for the greater use of FSA direct loans by racial and ethnic minorities. Unlike guaranteed loan programs, direct loans are administered by FSA offices and do not rely on lending preferences or practices of private-sector lenders. Minorities also tend to be located in regions where farm production is more risky. Historically, all family-sized farms in many of the same regions where minority farmers are clus-

Large Share of Farmers in the Southeast, Delta, and Southwest Are Racial or Ethnic Minorities

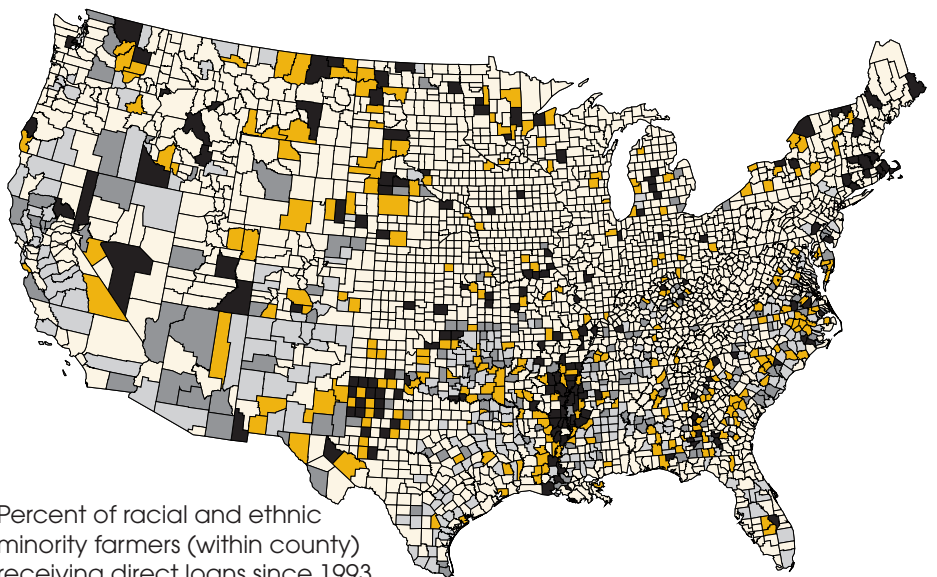


Racial and ethnic minorities as percent of all farmers within county

Less than 1	5.1 to 10	Over 25
1 to 5	10.1 to 25	

Source: 1997 Census of Agriculture. Economic Research Service, USDA.

Racial and Ethnic Minority Farmers Rely Heavily on FSA Credit in the Southeast, Mississippi Delta, and Southwest



Percent of racial and ethnic minority farmers (within county) receiving direct loans since 1993

None	5.1 to 10	Over 25
.01 to 5	10.1 to 25	

Sources: USDA Farm Service Agency and 1997 Census of Agriculture. Economic Research Service, USDA

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tered have been more reliant on FSA credit programs than on private-sector lenders.

Institutional factors may also play a role in racial and ethnic minorities' reliance on FSA direct loans. Unlike FSA, other sources of government-supported farm credit do not have specific minority lending requirements. Neither the Federal Agricultural Mortgage Corporation (Farmer Mac) nor the Farm Credit System, which are government-sponsored enterprises, is required under Federal charter to target minorities. Some larger commercial banks have an incentive to use FSA's guaranteed loan program to lend to minority farmers, to meet statutory requirements of the Community Reinvestment Act (CRA). But smaller banks that often serve rural counties are exempt from some CRA requirements.

To help ensure that the needs of minorities are adequately served, USDA has taken steps in addition to targeting of loan programs. Beginning in 1993, FSA implemented several policies to help alleviate discrimination that might still be present in delivery of its programs. These included revising EEO and Civil Rights training for state and county offices and increasing representation of minorities on

FSA county committees. FSA's Small Farmer Outreach Training and Assistance Program now provides grants to entities assisting minority farmers. In response to recommendations of USDA's Civil Rights Action Team in 1997, an Outreach Office was established within USDA to increase minority participation in all USDA farm programs. Overall, lending data since 1993 indicate that the number of minorities being served by FSA credit programs is increasing.

In the short run, lower interest rates and favorable financing terms of FSA loans should increase the probability of positive net farm income for minority farmers. The ability of targeted loan programs to improve the financial condition of minority farmers over the long term is less clear. Because many minorities tend to be located in riskier farming regions, they are much more susceptible to economic downturns brought on by low commodity prices or weather-related disasters. Credit enhancement may not be sufficient to enable these farms to survive such events. **AO**

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November Releases—USDA's Agricultural Statistics Board

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.

November

- 1 Crop Progress (4 p.m.)
- 3 Broiler Hatchery
- 4 Dairy Products
Egg Products
Poultry Slaughter
- 5 Dairy Products Prices
(8:30 a.m.)
Basic Formula Milk Price
(Wisconsin State Report)
- 8 Crop Progress (4 p.m.)
- 10 Cotton Ginnings (8:30 a.m.)
Crop Production (8:30 a.m.)
Broiler Hatchery
- 12 Dairy Products Prices
Turkey Hatchery
- 15 Milk Production
Crop Progress (4 p.m.)
- 17 Broiler Hatchery
- 19 Dairy Products Prices
(8:30 a.m.)
Cattle on Feed
Cold Storage
Farm Labor
Livestock Slaughter
- 22 Crop Progress (4 p.m.)
- 23 Chickens and Eggs
Catfish Processing
- 24 Cotton Ginnings (8:30 a.m.)
Broiler Hatchery
Peanut Stocks and Processing
NASS Facts Newsletter (4 p.m.)
- 26 Dairy Products Prices
- 29 Crop Progress (4 p.m.)
- 30 Agricultural Prices

For recently updated forecasts of farm income
Turn to tables 29-31 on pages 53 and 54

For the analysis behind the numbers, visit the
Farm Business briefing room
on the Economic Research Service website

www.econ.ag.gov/briefing/fbe/

