

**Testimony
Of Matt Starline
Farmer, Starline Organics
and Member, Ohio Ecological Food and Farm Association
to the
Subcommittee on Department Operations, Oversight, and Credit
Committee on Agriculture
U.S. House of Representatives
at the credit oversight hearing
April 14, 2011**

Thank you for the opportunity to testify this morning. I am Matt Starline, a beginning farmer from the Athens, Ohio area. Starline Organics is a 50 acre diversified farm located in the Appalachian foothills of southeast Ohio. We grow a variety of vegetables, mushrooms, herbs, and grains, plus lamb, pork and beef.

I am also here today as a member of the Ohio Ecological Food and Farming Association (OEFFA). Formed in 1979, OEFFA is a grassroots coalition of nearly 3,000 farmers, backyard gardeners, consumers, retailers, educators, researchers, and others who share a desire to build a healthy food system that brings prosperity to family farmers, helps preserve farmland, offers food security for all Ohioans, and creates economic opportunities for our rural communities. OEFFA developed and began operating an organic certification program in 1981, and is currently one of the largest USDA-accredited certifying agents, last year certifying over 600 organic farms and processors. OEFFA provides education, advocacy, and grassroots organizing to promote local and organic food systems, helping farmers and consumers reconnect and together build a sustainable food system, one meal at a time.

I farm the foothills of Appalachia. That means that you are lucky if you have flat land. My plateau is rich in history reminding me of how we are merely stewards of the land. My land was host to many generations of farmers including American Indians. When I first started my small business, vegetables were my main focus. Now with more diverse land base, I have ventured into livestock as well as grains.

Our farming practices are centered on sustainability. We utilize a natural gas well to heat our greenhouses as well as our home. Spring water provides the largest input for our water system. We look at our soil as our largest investment as well as our most important living ecosystem. We are always looking at innovative ways of how to turn our waste into a usable positive product, such as plant excess being fed to pigs rather than turning it into compost. Our animals are rotationally grazed. We are moving towards a multi-species grazing method to decrease the use of chemical dewormers for sheep. Currently we have three separate Environmental Quality Incentive Program contracts: construction of a high tunnel, an irrigation system connecting springs and wells to supply the garden, and the Organic Initiative with an emphasis on Integrated Pest Management (IPM) for organic systems. We are also applying for an agriculture easement as a long term insurance policy for moneys we receive. This is a state program placing permanent agricultural easement on the land.

I am a child of Appalachia. I grow food to feed the Athens, Ohio community 20 minutes from my farm. My farm is certified organic in an impoverished region of Ohio. I find the local residents in my community are enthusiastic about eating our fresh, local, and organic produce. Our products are available at many locally-minded restaurants and food stores, as well as at the Athens Farmers' Market and on-site.

We attempt to make our farm products available to everyone regardless of economic status. Our business took in 1/60th of the Ohio statewide Farmers' Market Electronic Benefits Transfer (EBT) assistance program, in conjunction with the Athens Farmers' Market taking in \$34,000 for the year. We also accept Woman, Infants and Children (WIC) and Senior Farmers' Market Nutritional Program (SFMNP) coupons. A local non-profit, Community Food Initiatives (CFI), has a "Donation Station" where farmers can donate excess product to be distributed to over 40 different places of need. Being a beginning small business, I understand that donating has no instant monetary gain. However in the long run I feel I am trading for promotional advertising.

I am the son of a farmer who signed all of his farmland into the Conservation Reserve Program (CRP). My earliest memories are riding with my dad in his old Gleaner combine, hypnotized by the crops until I would fall asleep only to be awoken by the jolt of hitting a hole. I am a 100% full-time farmer, which means I am part-time mechanic, educator, scientist, researcher, advocate, plumber, carpenter, gas well operator, landowner, delivery driver, record keeper, veterinarian, sales representative, and community member. I am roughly half the age of the average farmer. I moved from a conventional background to growing organic. My wife came from a non-farming background and is now an operating owner. Most of my equipment is significantly older than I am, but it works as hard as I do.

I think my story is indicative of the opportunities in today's agriculture. Farming as a career choice is one of the most difficult occupations to enter. Limited access to land and markets, high input costs, and a lack of sufficient support networks are major barriers to entry into agriculture. Yet, despite these hurdles people want to farm or ranch and see great opportunities in agriculture. The burgeoning local food movement and the growth in organics are just a couple of the trends that have more and more individuals and families interested in farming.

If more institutions sourced locally there would be a large spike in the demand for fruits and vegetables. For instance, Ohio University takes up much of Athens. The demand is there, and from a public health perspective the need is there, but we desperately need more farmers to supply local foods and meet rising demand. I understand that every town does not have an institution like OU, but there are elementary schools and high schools where volume can be created. In Ohio, farm to school programs are breaking ground. We have an excellent model in Granville High School in Granville, Ohio that is now being applied elsewhere.

Access to credit is obviously critical for all types of new and beginning farmers, including smaller-scale and more locally-oriented farms like mine. Finding credit is difficult for beginning farmers as a whole, and particularly difficult for farmers like me because most lenders are not as familiar with what we do, how we market, and what our price structures are. There is a learning curve on both sides – for the farmer to learn how to present a business plan that makes sense to the lender, and for the lender to learn what this quickly emerging local food sector is all about. I am pleased to say that my local FSA agent views vegetable farming as the best

opportunity for beginning farmers in my area and has been willing to work with me. From what I hear at farmer meetings, others have not been so lucky.

I am \$300,000 in debt, primarily from buying land, even though land is relatively cheap in my area and my expenses are relatively low when compared with someone who would start out the average size more conventional farm. Mortgage payments opened my eyes to the need for year round sales. Now my energy is focused on season extension structures for produce. We have plans to add a certified kitchen for value added products, storage bins for grains, and a grain processing facility. I am pleased to say that all our bills are being paid on time.

The greatest hill to climb for a new beginning farmer is the initial start-up cost. It is hard for someone with few assets to secure a loan for agricultural land. It is critical therefore to retain the Farm Service Agency direct loan programs. As the lender for those who cannot find credit elsewhere other than resorting to credit cards, FSA creates new farming opportunities and helps regenerate American agriculture. I believe Congress was correct in the last four Farm Bills to target a majority of FSA direct real estate loans to beginning farmers as well as a substantial amount of direct operating loans. These loans in a very real sense help slow down the aging of American agriculture, and it is my hope that Congress will continue to ensure strong targeting to beginners and robust funding overall for both direct and guaranteed loans. The future for the next generation of farmers, like the ones before it, depends on it.

My father-in-law was the first to show me a print out for the FSA loans for beginning farmers. I qualified for the FSA beginning farmer loans, however, like many others, I had to move fast to secure my farm. Land on the market does not sit around waiting for loan funds to become available. Many beginning farmers have lost out on farmland because FSA was temporarily out of funds due in part to delays in the congressional appropriations process. It would be great if Congress and the Administration could find a way to allow FSA to make loans in these situations. The loan programs need to reflect the reality of the land market if new and beginning farmers are going to have a realistic chance of competing.

Currently, I am working with FSA on a loan for construction of a cold storage unit for our products. We are also looking to build a certified kitchen above the cold storage unit, although that is not a part of the loan. This will enable me to prolong the storage life of our vegetables and herbs after harvest and further improve our profitability. This will also allow for more time to harvest and will allow us to harvest more overall. The kitchen will also pave the way to selling more value-added products, meeting strong consumer demand while again improving our profitability. These are the kind of activities that I hope FSA, Farm Credit, and commercial lenders will look at more seriously in the future. The market for local food is real and expanding, and the new farmers who are serving this market need to know that credit will be available to help us respond to the demand for farm fresh food.

We need a national strategy and commitment to support beginning farmer and ranchers entering agriculture. With an aging farm population, the time is now to nurture new agriculture start-ups. A new farms policy, especially in the local food sector, is a jobs creator, a sound investment that can provide long-term societal benefits and contribute to the revitalization of our rural as well as urban communities.

In that light, I was disappointed to hear that the continuing resolution for the rest of fiscal year 2011 contains a very substantial 27 percent cut in direct farm ownership loan funding. This is like throwing away the seed corn for the future of our farming system. Thankfully the reduction in direct operating loans was a more modest five percent. I would urge this Subcommittee to work diligently with your colleagues on the Agriculture Appropriations Subcommittee to secure adequate loan program levels for fiscal year 2012.

The 2008 Farm Bill targets 75 percent of direct ownership loans and 50 percent of direct operating loans to beginning farmers. In FY 2009, the FSA made or guaranteed about \$4.5 billion in loans to 34,210 farmers, including over 20,000 farmers receiving direct operating loans. From this total, about 14,500 beginning farmers received loans totaling \$1.5 billion. Nearly half of all direct operating loans and over 70 percent of direct ownership loans went to beginning farmers, just shy of the farm bill targets of 50 and 75 percent, respectively.

Reflecting credit difficulties during the recession, FSA lending in FY 2010 increased to \$5.3 billion servicing 36,440 borrowers. Perhaps as a result of the additional influx of more established farmers requiring FSA assistance during the downturn, the agency's performance on beginning farmer lending declined a bit. Total loans to beginners dipped under 14,000 though loan volume remained constant at about \$1.5 billion. The percentage of beginning farmer loans to total loans dropped, however, to 60 percent for direct ownership and 45 percent for direct operating.

For the first half of fiscal year 2011, FSA has needed to concentrate on funding the direct operating loan program to help get farmers into the field for this growing season. As a result, direct farm ownership lending has suffered. Total direct farm ownership loan volume is down considerably, and the beginning farmer participation rate remains stuck at 60 percent of the total, the same as for fiscal year 2010. Both of these situations will hopefully turn around in the last half of the fiscal year as the full year's funding is made available, though obviously the 27 percent cut in funding will have a very real and negative impact.

Despite the pain it causes beginning farmers who were not able to secure farmland in the absence of loan availability, FSA is to be commended for concentrating on operating loans in the past months given how close we are to planting time. These are the very unfortunate but necessary trade-offs that have to be made when Congress is so late in appropriating funds. Compounding the problem is the Administration's decision that during repeated short-term Continuing Resolutions FSA can only spend a pro rata share of total loan funds under the pretense that lending remains constant week to week over the course of a year. Of course, as we all know, operating credit in particular is front loaded into the first half of the fiscal year to correspond with the planting season. I would encourage this Subcommittee to help relieve this nonsensical situation by working for a policy that keeps lending rates consistent with normal lending volumes for a given portion of the year during these unfortunate long delays in appropriations.

While performance on meeting the beginning farmer targets for direct loans has been admirable, the picture on guaranteed loans is less positive. Congress has targeted 40 percent of guaranteed ownership and operating loans to beginning farmers, but the actual rates in recent years have been less than 20 percent. The relative lack of responsiveness of the commercial sector to

concentrating more resources on beginning farmers through the guaranteed program would be a worthwhile subject for this oversight panel to pursue.

The Down Payment Loan program for first-time land acquisition by beginning and minority farmers took a big upturn since passage of the 2008 Farm Bill. The farm bill lowered the interest rate and the beginning farmer down payment amount and also increased the value of land which could be financed, all of which combined to get the program more fully utilized. This creates a win-win-win situation, with the agency able to stretch its limited resources further, the commercial lender starting off with a beginning farmer customer earlier in the process, and the beginning farmer having greater equity in the operation.

The 2008 Farm Bill improvements paid off immediately. The Down Payment program financed 1,100 beginning farmers with a total of \$147 million in real estate loans in 2008 and 2009, compared to the nearly 3,000 beginning farmers assisted with \$131 million in loans in the previous 14 years of the program's existence combined. An additional 1,225 down payment loans were made in fiscal year 2010 on a loan volume of \$170 million, bringing the total for the first three years under the new Farm Bill to 2,325 farms and a loan volume of over \$300 million. I am glad to say that Ohio is in the top ten states using the program. Congress did the right thing in improving the program in 2008 and should continue on the same path in the new Farm Bill.

I will close my remarks with a note of alarm about the existing levels of backlog for FSA loans. According to FSA, as of last Friday there was a backlog of 503 approved applications from non-beginning farmers worth \$91.5 million and 590 approved applications from beginning farmers worth \$115 million waiting for direct farm ownership funding. Applications waiting for direct farm ownership funding from socially disadvantaged or minority farmers totaled 195 worth \$34 million. The backlog for direct operating loans was also substantial. Nearly 850 beginning farmers were waiting on loans approved for \$56 million and an additional 486 farmers were waiting on loans approved for \$34 million. Hopefully many of these loans will move forward quickly after the final fiscal year 2011 appropriations bill is signed into law.

I leave you with a plea to remember that beginning farmers do not have the luxury of waiting on the vagaries of the budget process to close a deal to buy land. Either loan funds are available when the land is available or not. If we are serious about growing a new generation of farmers and reversing the aging of American agriculture, we need to be serious about ensuring a healthy FSA loan budget.

With respect to the Farm Bill, I applaud the many positive advances made in the 2008 bill for beginning farmers, including the Down Payment program, the Beginning Farmer and Rancher Development Program, and the targeting of conservation funds, among others. I encourage this Subcommittee to explore the positive outcomes generated by these farm bill gains and to redouble your efforts on beginning farmer issues in the 2012 bill.

Thank you again for the opportunity to testify. I will be happy to try to answer any questions you might have.

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2008.

Name: Matthew Starline

Organization you represent (if any): Starline Organics

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2008, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: NRCS Equip Amount: \$19,877.49

Source: FSA DCP + CPP Amount: \$1061.24
Organic Certification Cost share ~\$800

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2008, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: _____

Signature: Matthew Starline

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

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Committee on Agriculture
U.S. House of Representatives
Information Required From Nongovernmental Witnesses

House rules require nongovernmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Matthew Starline
2. Organization you represent: Starline Organics
3. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee: I have been farming since I was young. I started my small business in vegetable growing. I have sat on panels for beginning farmers. Programs I have applied to classified me as a beginning farmer.
4. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee: I interned ^{with} vegetable grower for college. I raised an acre of green peppers when I was 17. I have attend many OSU classes dealing from livestock to marketing aspects.
5. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold: OEPPA Member, Athens OEPPA chapter president, Athens Farmers' Market board member, Athens Food Policy Council member, Contract holder in NRCS/FSA.

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.