

Young Farmers Program

The innovative Delaware Young Farmers Loan Program is designed to provide young farmers with the capital needed to purchase a farm while also preserving the land.

History

Senate Bill 117, which created the framework for the Young Farmers Loan Program, won overwhelming support from both the Delaware House and Senate in 2011, and was signed into law by Governor Markell. The program is a powerful commitment to young people entering agriculture that Delaware stands behind them and supports their goals and dreams.

Overview

The Young Farmers Program provides 30-year, no interest loans to help eligible farmers purchase land, reducing the financial impact on young people starting or looking to expand their farms.

Loan money helps fund up to 70 percent of the appraised value of the farm's development rights, not to exceed \$500,000.

Land purchased through the Young Farmers Loan Program is permanently preserved through the Delaware Agricultural Lands Preservation Foundation.



DELAWARE AGRICULTURAL LANDS
Preservation Foundation



Program Criteria

Applicants:

- Delaware citizen between the ages of 18 and 40
- Net worth not exceeding \$300,000
- At least 3 years of farming experience
- Joint applications (spouses, siblings, etc.) are allowed; however, all applicants must meet the criteria and their combined net worth cannot exceed \$300,000.

Property:

- Farm located in Delaware that contains at least 15 tillable acres zoned for agricultural use.
- Must not be enrolled in a conservation easement at the time of purchase.
- Applicant must not already own more than twice the amount of tillable acres that he/she wishes to purchase with this farm.

Application Process

- The Aglands Foundation Board only accepts loan applications when funding is available
- At the time of application, the applicant submits the following:
 - Fully executed sales contract
 - Loan eligibility letter from commercial lender
 - Farm (business) plan

Observations

- Most applicants need another (commercial) loan to purchase the farm.
- The Young Farmer loan typically provides approximately 50 percent of the purchase price.
- The primary lender can verify the applicant is credit worthy through their usual loan process – thus DDA staff does not have to analyze credit risk.
- Their commercial loan is their primary loan. The Young Farmer pays that loan first and then pays the Young Farmer loan (at no interest).

Example: If an applicant has a 20-year payback for their primary loan, he/she then has 10 years (30 years – 20 years) to pay their Young Farmer loan.

- A few of the Young Farmer loans have been sales within a family (grandparent to grandchild, etc.) at reduced prices. In these cases, the Young Farmer loan has provided all of the funding needed for the purchase and thus the applicant begins paying their Young Farmer loan immediately.

Sample Loan Calculation

Farm's Appraised Fair Market Value: \$600,000
- Agricultural (after easement) Value: \$200,000
Development Rights Value: \$400,000
Maximum Young Farmers Loan: \$280,000

*Development Rights Value * .7 = Max. YF Loan*

When to Apply

The Foundation is currently accepting loan applications on a continuous basis.



Eligible farmers must be between the ages 18 and 40, have at least three years of farming experience, and have a net worth of no more than \$300,000.

Accomplishments

Since the Young Farmers Loan Program was enacted in 2011, Delaware has:

- Provided 37 loans to young farmers totaling \$8.4 million
- Preserved 2,858 acres
- Average loan = \$227,310 (\$2,943/acre)
- Young Farmer Loans average 49% of purchase price

For More Information

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DELAWARE DEPARTMENT OF
AGRICULTURE