

**Challenges and Issues in Accessing and Utilization of Capital by Socially Disadvantaged Farmers and Ranchers**

**Final Report**

**Submitted by**

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## **EXECUTIVE SUMMARY**

### **Title: Challenges and Issues in Accessing and Utilization of Capital by Socially Disadvantaged Farmers and Ranchers**

In March 2019, Virginia State University-Small Farm Outreach Program (VSU-SFOP) entered into a partnership agreement with Alcorn State University Socially Disadvantaged Farmers and Ranchers Policy Center to study the challenges faced by socially disadvantaged farmers and Ranchers (SDFR) in accessing and utilization of capital from Farm Credit and other lending organizations. SDFR in four states, namely Virginia, North Carolina, Mississippi, and Alabama, were targeted for this study. The objectives of the study were: 1) To better understand the plight of SDFR in securing capital for their farm business; 2) To better understand from lenders what obstacles that may prevent SDFR from successful capital acquisition and utilization; and 3) To foster dialogue amongst SDFR, Farm Credit and other financial institutions with expected result of an improved relationships for all parties involved.

VSU-SFOP applied a multi-method approach to ensure appropriate confirmation of the finding. The first stage was to conduct focus groups to enable us to understand the feelings of these SDFR and lenders. From the results of these focus groups, we were able to deduce a hypothesis, which became the basis for the second stage of this project (Survey Research). The purpose of this survey research was to gather empirical data from the target audience and lenders that may confirm or disconfirm the hypotheses generated by focus groups. We developed a survey instrument that included questions regarding the beliefs, attitudes and behaviors of farmers interested in seeking financial capital for their operations. The questionnaire covered all the variables that are included in the study hypotheses. Multiple items (questions) were employed to measure variables of interest. In addition, data from surveys were collected, collated and analyzed.

The following are the major outcomes of the project:

- The level of awareness of the financial support programs is low.
- The proportion of socially disadvantaged farmers applying for financial support is low
- Proportion of farmers applying for financial support varies across the four states; the success rates in obtaining support vary as well.
- The top three reasons are insufficient credit, insufficient collateral and incomplete applications.
- While expressing strong needs socially disadvantaged farmers feel discouraged about seeking financial support from federal agencies.
- The frequently mentioned factors for their lack of enthusiasm in seeking financial support include the time it takes to complete the application, the interest rates and the lack of knowledge about the application process.
- A majority of the survey respondents did not know about Farm Credit programs, but those who have participated in them, gave the programs high marks and would recommend them to others.
- In order to foster dialoged amongst SDFR and Farm Credit and other financial institutions a Symposium should be consider to better identify ways to improve relationships among the parties.

In conclusion, these outcomes confirm the established hypothesis that, *Socially Disadvantaged Farmers and Ranchers lack access to, and utilization of capital provided by Farm Credit and other financial organizations.*

## **INTRODUCTION**

Studies show that socially disadvantaged farmers and ranchers (SDFR) have been traditionally underserved, and are plagued by various barriers that limit their progress in the farming business. Such barriers are, but not limited to, lack of adequate knowledge of USDA programs and services, ***limited access to credit and capital***, lack of skills in business and financial planning, lack of skills in operating successful farm businesses and, limited access to new and existing markets. Amongst these barriers, this research project was focus on lack of access to, and utilization of capital provided by Farm Credit and other financial organizations to SDFR. The specific objectives were: 1) to better understand the plight of SDFR in securing capital for their farm business; 2) to better understand from lenders what obstacles that may prevent SDFR from successful capital acquisition and utilization; and 3) to foster dialogue among SDFR, Farm Credit and other financial institutions with expected result of an improved relationships for all parties involved.

Equal access to USDA and other financial institutions' capital acquisition programs is needed to enable socially disadvantaged farmers and ranchers become successful in operating profitable and sustainable agricultural enterprises. A better understanding of the limitations of this audience is very crucial in order to develop effective policies/strategies that the group need in leading economic development of their communities. Therefore, study fostered such understanding by conducting focus group meetings, workshop, collecting data though survey instruments of SDFR and other stakeholders, then analyzed the data to know the actual situations of these producers, and made recommendations.

This proposed project targets Socially Disadvantaged Farmers and Ranchers in Virginia, North Carolina, Alabama and Mississippi. These states were selected as the project area due to the high population of SDFR that operate in them and for easy navigation by the project team (close proximity between Virginia and North Carolina, also for close proximity between Alabama and Mississippi). Additionally, VSU collaborated with socially disadvantaged producers in North Carolina to conduct the focus groups in NC, while Alcorn State University - Socially Disadvantaged Farmers and Ranchers Policy Center assisted in doing the same in MS and AL

## **RESEARCH DESIGN/METHODOLOGY**

In order to investigate the reasons for the plight of Socially Disadvantaged Farmers and Ranchers (SDFR), especially regarding the access to capital, we proposed a multi-method approach and a multi-state project area (VA, NC, AL, and MS). Such approach allowed us to triangulate the reasons and provide the necessary confirmation of the findings. The methods used are briefly described below:

### **Focus Group Research**

As a first step, we undertook qualitative research in the form of Focus Group Discussions with SDFR to develop insights into lack of access to financial capital. The purpose of focus group research was to elicit the views of the farmers regarding the potential sources of capital for their farming operations. Of particular relevance are, their beliefs regarding the ease with which they can apply for, obtain and utilize financial capital available from Farm Credit and other financial institutions. The focus group participants (farmers & ranchers) were probed regarding the problems they encountered during the application process as well as when they were utilizing the funds. Information was gathered regarding the experiences of SDFR. In addition, the attitudes of farmers and ranchers toward the financial organizations and the effectiveness of their farm financing operations was also probed.

Additionally focus groups activities were also conducted with lenders from various financial organizations, including Farm Credit and USDA-FSA. Most of the discussions from lenders were centered on inability for this group of producers to complete the application process successfully. When probed about records to show the rate of denials or acceptance of financial applications, there was a general consensus by the lenders that they do not provide such records/data. Therefore, it was difficult to collect data from these lenders. Without collecting any civil rights data it is impossible to quantify or identify discrimination. However, they all agreed that there should be better communication channels between them and the SDFR to create a better understanding of both (lenders and SDFR) parties.

The focus group research conformed to standard practices regarding the design of the study. VSU-SFOP conducted eight (8) focus groups research with (two per each state for SDFR, and one per each state for Farm Credit and other service providers) in the project area. An experienced moderator who is knowledgeable about farm\home finances guided discussions. To glean insights into the problems the farmer and ranchers encountered, the discussions were audiotaped and analyzed by the moderator and the research team. Based on these insights, we have developed hypotheses regarding financial hurdles SDFRs face, and how access to capital could be improved.

### **Focus Groups Result Summary**

VSU Small Farm Outreach Program conducted four focus groups in Virginia and North Carolina with socially disadvantaged farmers and ranchers to discuss their experiences with access to credit from USDA Farm Service Agency (FSA) and Farm Credit of the Americas. We had over seventy participants among four focus groups. Our participants were candid and quite open. Many of the participants from Virginia had little interaction with these agencies and preferred to self-finance. North Carolina growers relied more on loans but complained of the availability and access to the loans in terms of getting loans too late in the growing season. All farmers expressed great displeasure in the over capitalization of assets required by USDA FSA for their loans. Concerns were shared that over capitalization and asset forfeiture were great concerns for they had seen other farmers lose land. Socially disadvantaged farmers and ranchers that we talked with are optimistic of their futures but have a great concern that past and present discrimination and biases have and will continue to drive young people away from their legacy of agriculture and land ownership.

The SDFR indicated that they have a much better VSU Small farm agent than the Virginia Cooperative Extension Agents. They serve as a bridge between the lender and the SDF and they assist with business planning and marketing financial planning and crop planning and markets. We deduced the hypothesis stated below from the focus groups.

**Hypothesis:** *Socially Disadvantaged Farmers and Ranchers lack access to, and utilization of capital provided by Farm Credit and other financial organizations.*

### **Survey Research**

The purpose of survey research was to gather empirical data that confirm or disconfirm the hypotheses generated by focus group research. We developed a survey instrument that included questions regarding the beliefs, attitudes and behaviors of farmers interested in seeking financial capital for their operations. The questionnaire covered all the variables that are included in the study hypotheses. Multiple items (questions) were employed to measure variables of interest. Items/questions employed appropriate scales (for example, 5-point scales of Likert-type or dichotomous scales using yes/no responses) and multi-item scales were summated to measure variables. Reliability of the scales was assessed using criteria such as Cronbach Alpha. Statistical testing of the hypotheses followed. We used statistical techniques such as Multiple Regression and Analysis of Variance (ANOVA) for hypothesis testing. The questionnaire were administered through QUALTRICS platform. Statistical Packages for Social Sciences (SPSS) was employed during the statistical analysis. Since farmers and financial agencies were the two parties involved in the matter, we proposed to survey representative members from both parties. The sample sizes however, will differ.

SDFR on the VSU participants list completed a QUALTRICS survey using various strategies. We followed up with personal contact from all fourteen VSU-Small Farm Agents to ensure that completed surveys were received from at least 100 farmers in Virginia. Financial institutions employees involved in financial operations completed a minimum of 20 questionnaires. Obtaining data from both parties allowed us to compare their responses concerning the hurdles that make the financing of farming operations cumbersome or ineffectual.

### **Macro-level Data:**

To assess the magnitude of the problem, we looked for macro-level data regarding the number of SDFR from the Commonwealth of Virginia that are able to access capital from sources such as Farm Credit. We also looked at information regarding the “amount” of capital that the SDFR have been able to raise from these sources in the recent past. We compared these amounts against the amounts needed and whether the capital raised from these sources was adequate for maintaining the farming activities.

As mentioned earlier, comparing data obtained from the three sources – socially disadvantaged farmers, managers of financial institutions and macro-level data compilers allowed us to accurately assess the magnitude of the problem and the nature of hurdles faced by the farmers in raising capital for farming operations.

## **RESULTS**

### **SAMPLE SIZE:**

The questionnaire for the sample size was administered through the QUALTRICS platform. We also collected data from 158 farmers and ranchers through in-person administration of the questionnaire, and by extension agents or university-sponsored events. Additional data were collected from 88 socially disadvantaged farmers and ranchers who are members of a farmer panel maintained by QUALTRICS. Screening questions were set up at the beginning of the survey instrument to allow only “qualified” farmers to participate in the survey. The screening criteria were:

1. The farmer belongs to a socially disadvantaged category
2. The farmer has applied in the past for a loan or credit for farming purposes

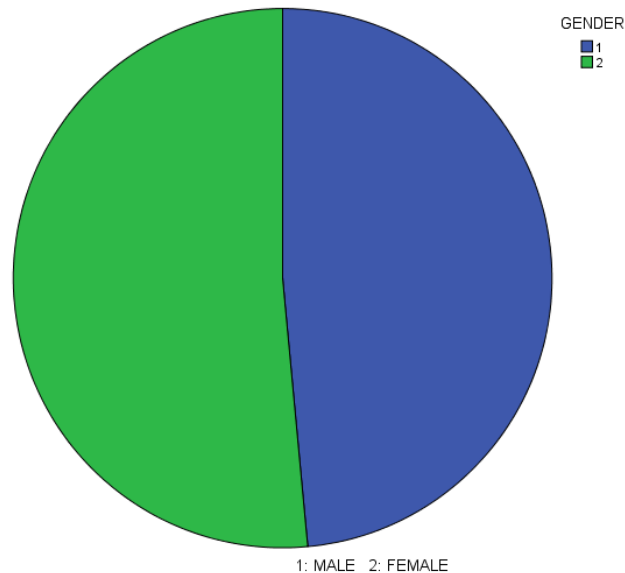
Thus, 246 questionnaires were collected from the farmers and ranchers participating in the survey. These responses form the basis for the analyses reported below.

### **DEMOGRAPHICS:**

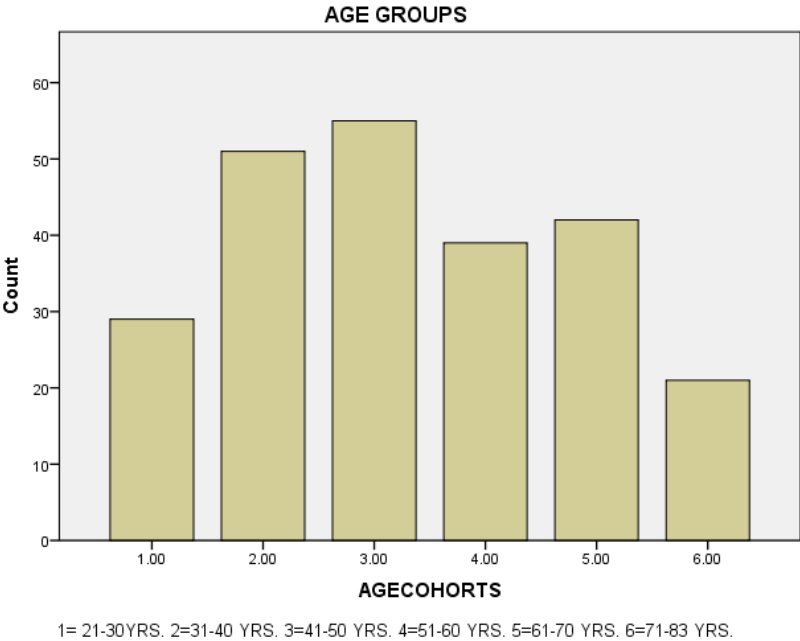
The following profile of the participating farmers emerges from the demographic data collected through the questionnaire. Participating farmers (n=246) exhibit characteristics that appear to be representative of the farmer population in the country.

Among the respondents, 31 (12.6%) are from the state of Alabama, 85 (34.6%) are from Mississippi, 52 (21.1%) are from North Carolina and 78 (31.7%) are from Virginia.

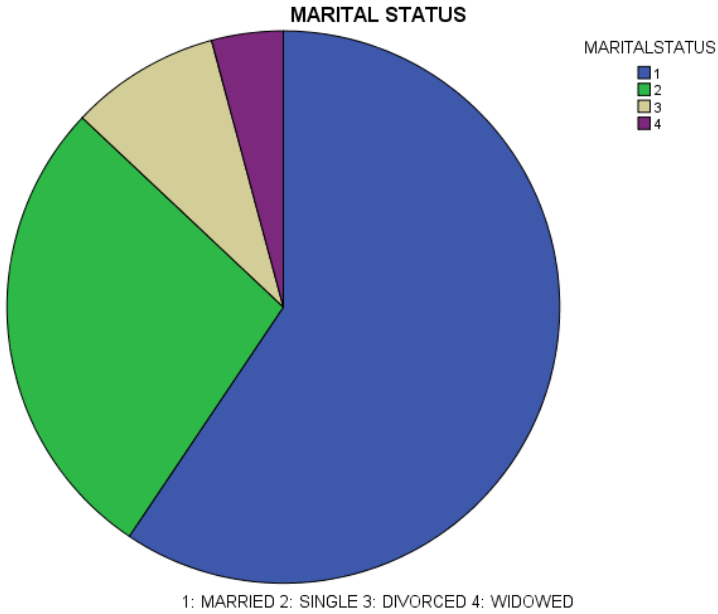
In our sample, 48.5% of the farmers are male and 51.5% are female.



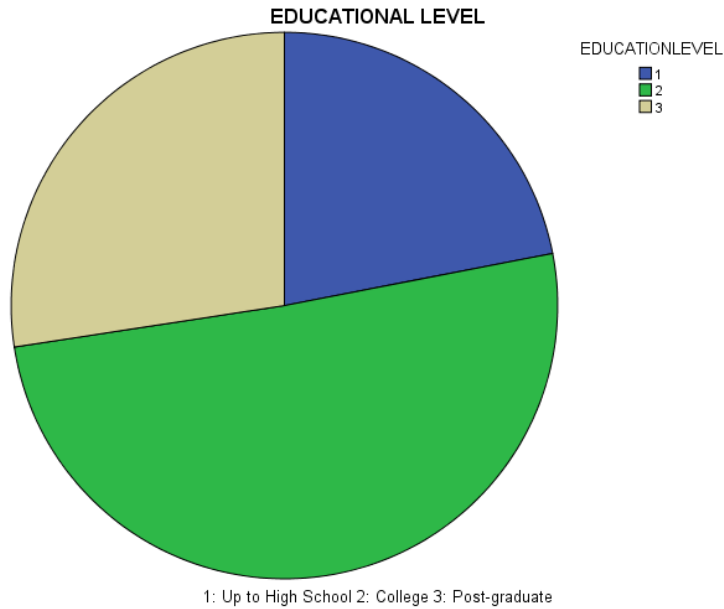
Survey participants range in age from 22 to 83 years, with an average age of 49.3.



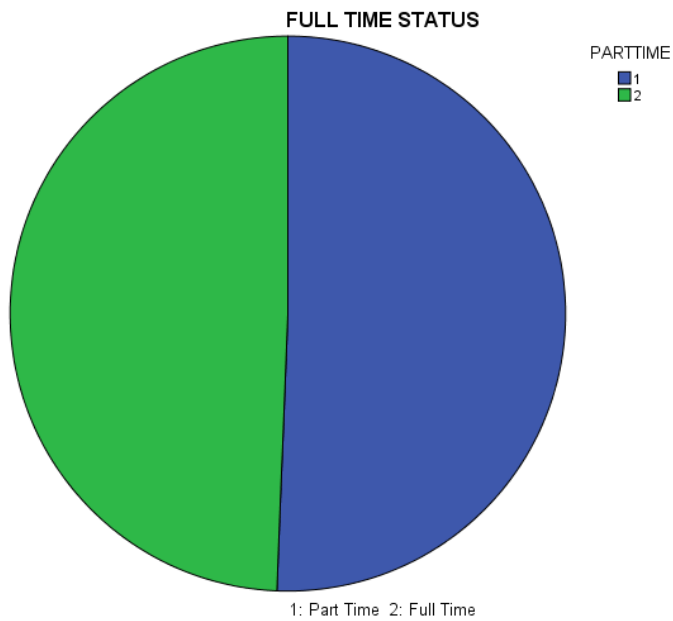
In regards to marital status, a majority (59.4%) of the respondents are married. A sizeable proportion (27.6%) are single, and the remaining 13% are either divorced or widowed.



Our sample shows an impressive level of educational attainment. While 21.9% of the survey participants have attended or completed high school, a majority (50.7%) of the farmers have attended or completed college education and over a quarter (27.4%) have a post-graduate level of education.

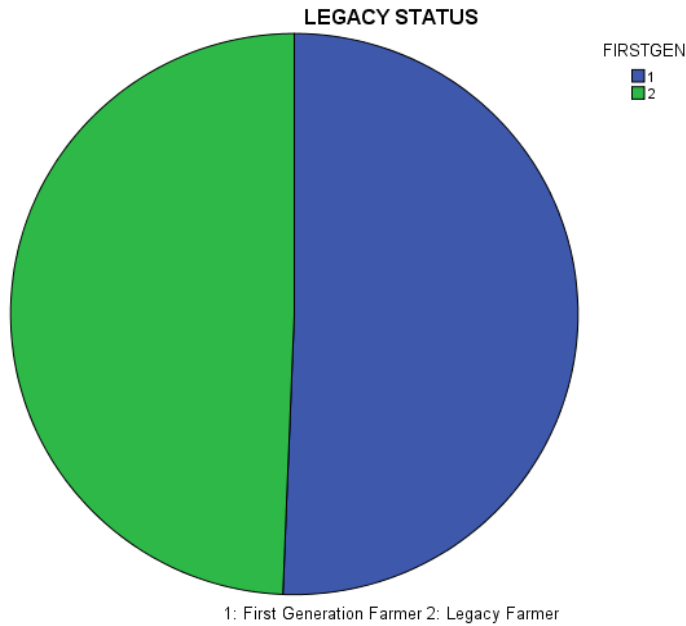


In regards to their occupation, a slim majority (50.6%) of the respondents reports that they are part-time farmers, whereas the rest (49.4%) claim farming to be their full-time occupation.





In regards to the legacy status, the breakdown is similar to the full-time/part-time status. While 50.6% are first-time farmers, the other 49.4% are legacy farmers. This indicates that the farming occupation is drawing new entrants in large numbers, which augurs well for the future of farming in the United States.



Farming experience shows a wide variation across the sample, ranging from 0 to 65 years, of part-time or full-time farming experience. The average experience is 15.31 years.



## STUDY VARIABLES:

The purpose of the survey research undertaken here is to assess the socially disadvantaged farmer's level of access to financial capital. To assess the farmer's level of access, several variables have been examined. A questionnaire containing the following items has been developed based on the results of the Focus Group research and a review of prior research on similar topics. Most of the items in the questionnaire employ 5-point scales and many of the study variables are created by summing up the scores across multiple items that constitute the respective variables. Brief descriptions of the variables employed in the study are provided below:

VARIABLE	NUMBER OF ITEMS	DESCRIPTION
APPLIED	1	Direct question regarding prior application for financial support or loan.
OUTCOME	1	Direct question regarding the outcome of prior application for financial support or loan.
FUTURE INTEREST	1	Single question with a 5-point scale regarding interest in seeking financial support in the future. Scores can range from 1 to 5.
AWARENESS	5	Awareness of financial support programs from 5 agencies (FSA, Farm Credit, Commercial Banks, Credit Union, Others). Scores can range from 0 to 5.
KNOWLEDGE	3	Knowledge of financial support programs from FSA, Farm Credit, and Commercial Banks measured individually on a 5-point scale. Scores can range from 3 to 15.
FSA SATISFACTION	7	Level of satisfaction with FSA measured through 5-point scales on seven specific aspects. Scores can range from 7 to 35 on this scale.
FC SATISFACTION	7	Level of satisfaction with Farm Credit measured through 5-point scales on seven specific aspects. Scores can range from 7 to 35 on this scale.
CB SATISFACTION	7	Level of satisfaction with Commercial Banks measured through 5-point scales on seven specific aspects. Scores can range from 7 to 35 on this scale.
CU SATISFACTION	7	Level of satisfaction with Credit Union measured through 5-point scales on seven specific aspects. Scores can range from 7 to 35 on this scale.
FSA PERCEPTION	6	Perception of treatment received from employees of FSA measured through 5-point scales on six specific aspects. Scores can range from 6 to 30 on this scale.
FC PERCEPTION	6	Perception of treatment received from employees of Farm Credit measured through 5-point scales on six specific aspects. Scores can range from 6 to 30 on this scale.

## RELIABILITY OF VARIABLES:

For all multi-item variables examined in the present research, scale reliability was examined through Cronbach's alpha. All calculations were done through SPSS statistical software package. The reliability statistics are summarized in the table below.

VARIABLE	NUMBER OF ITEMS	CHRONBACH' ALPHA
AWARENESS	5	0.833
KNOWLEDGE	3	0.889
FSA SATISFACTION	7	0.956
FC SATISFACTION	7	0.946
CB SATISFACTION	7	0.999
CU SATISFACTION	7	0.999
FSA PERCEPTION	6	0.932
FC PERCEPTION	6	0.940

The multi-item scales exhibit excellent reliabilities and hence employed without any modification in the statistical analyses that follow.

## STATISTICAL PACKAGE OF SOCIAL SCIENCES (SPSS) ANALYSIS RESULTS:

The purpose of statistical analysis was to assess past experiences of socially disadvantaged farmers in accessing financial support programs available to them and their views about such programs, including future participation. Study variables were examined through appropriate statistical procedures using the SPSS package. Specific statistical procedures employed here include Frequencies, Descriptive statistics, Cross-tabulation (Chi-square analysis), Independent samples t-test, Paired-samples t-test and Analysis of Variance (ANOVA). The results obtained from these analyses are reported below:

### 1. Relationship between awareness of credit/financial support program from multiple (5) agencies and seeking of loans/support

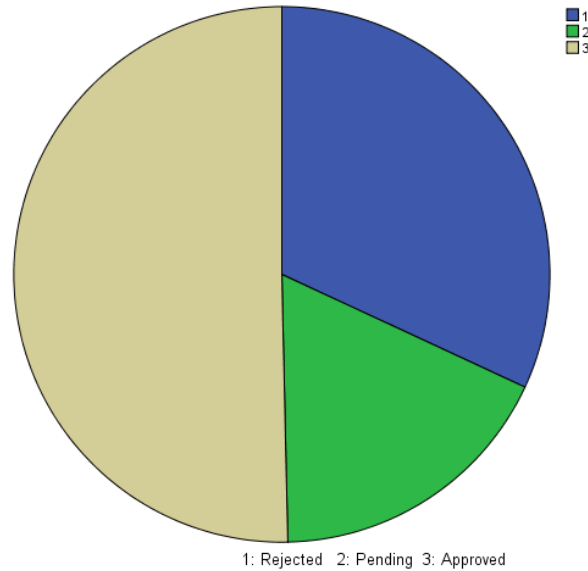
Chi-square Analysis shows that there is a statistically significant relationship ( $p=0.017$ ). The contingency coefficient = 0.687 ( $p=0.017$ ) indicates a moderately strong relationship. Higher levels of awareness about financial support programs lead to higher rates of application.

AGENCY	AWARE	APPLIED	% Applied
FSA	99	41	45.05
FARM CREDIT	138	79	57.25
COMMERCIAL BANKS	124	76	61.29
CREDIT UNION	127	74	58.27
OTHER	23	12	52.17

## 2. Outcomes of Loan/Credit Applications

OUTCOME	NUMBER OF FARMERS	PERCENTAGE
REJECTED	45	31.9
PENDING	25	17.7
APPROVED	71	50.4
TOTAL	141	100

OUTCOME OF PREVIOUS LOAN/CREDIT APPLICATION



These results indicate that half of the socially disadvantaged farmers who applied for financial support in the past had successful outcomes and only about a third were denied support.

## 3. Reasons for Rejection of Application

REASON	FSA	FARM CREDIT	BANKS	OTHER	TOTAL
Incomplete Application	6	3	17	9	35
Insufficient Credit	13	8	28	2	51
Missing Documents	3	5	18	5	31
Insufficient Collateral	7	4	23	1	35
Previous Loans	1	0	15	2	18
Other	1	0	15	2	18
TOTAL	31	20	116	20	187

Our results show that three most significant reasons for rejection of application and denial of financial support are insufficient credit (credit history), insufficient collateral and incomplete application. Missing documents, the next most-cited reason, is closely related to incomplete application. Modifying the criteria applied by these institutions in evaluating socially disadvantaged farmers' applications would raise the rates of approval and support more farmers.

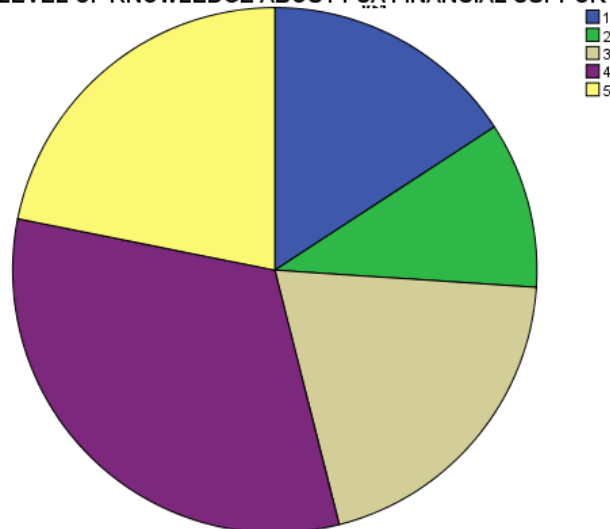
#### 4. Level of knowledge about credit/financial support programs

Percentage of farmers with varying levels of knowledge about credit programs.

AGENCY	UNFAMILIAR	AWARE	LITTLE KNOWLEDGE	SOME KNOWLEDGE	HIGHLY KNOWLEDGEABLE
FSA	15.8	10.2	20.0	32.1	21.9
FARM CREDIT	18.4	12.6	16.9	30.0	22.2
BANKS	16.7	12.9	16.7	33.5	20.1

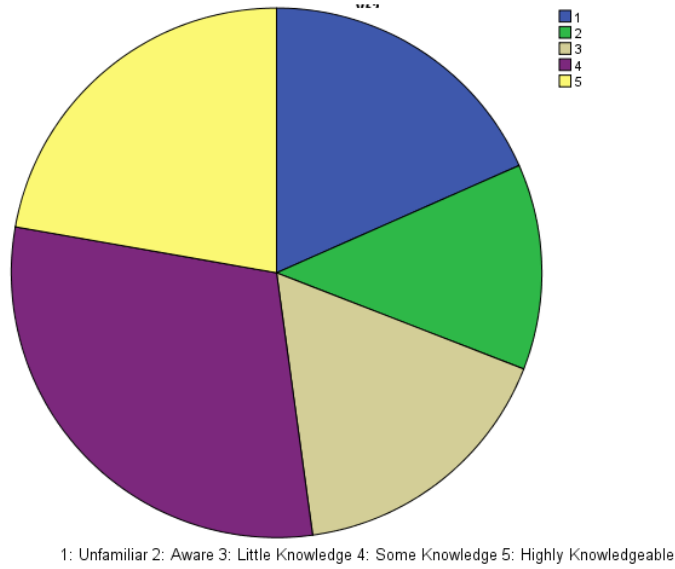
According to this table, about 1/6<sup>th</sup> of farmers are unfamiliar with the credit/financial support programs available in their area. About 1/3<sup>rd</sup> of the farmers possess little knowledge and nearly a half of the farmers claim to be somewhat or highly knowledgeable about the programs. We asked farmers questions about their knowledge of programs offered by FSA, Farm Credit and Commercial Banks. The levels of knowledge reported by farmers are summarized in the above table and captured in the charts presented below.

LEVEL OF KNOWLEDGE ABOUT FSA FINANCIAL SUPPORT PROGRAMS

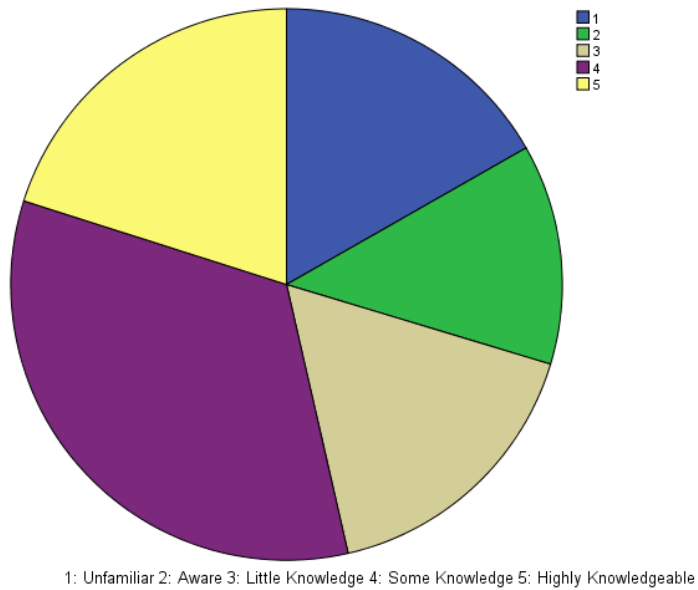


1: Unfamiliar 2: Aware 3: Little Knowledge 4: Some Knowledge 5: Highly knowledgeable

**LEVEL OF KNOWLEDGE ABOUT FARM CREDIT'S SUPPORT PROGRAMS**



**LEVEL OF KNOWLEDGE ABOUT COMMERCIAL BANK PROGRAMS**



**5. Level of Satisfaction with the application Process for Credit/Financial Support Programs at various Agencies**

Paired Samples t-tests were conducted to compare the differences in the levels of satisfaction expressed by survey participants with the application process for credit/financial support programs of the various agencies.

<b>LEVEL OF SATISFACTION</b>	<b>MEANS ACROSS AGENCIES</b>		<b>Statistical Significance</b>
	FSA	FARM CREDIT	
Satisfaction with the Application Process	22.82	24.28	0.00 (Significant)

<b>LEVEL OF SATISFACTION</b>	<b>MEANS ACROSS AGENCIES</b>		<b>Statistical Significance</b>
	FSA	COMMERCIAL BANKS	
Satisfaction with the Application Process	22.91	23.58	0.09 (Non-Significant)

<b>LEVEL OF SATISFACTION</b>	<b>MEANS ACROSS AGENCIES</b>		<b>Statistical Significance</b>
	FSA	CREDIT UNION	
Satisfaction with the Application Process	22.75	24.81	0.00 (Significant)

<b>LEVEL OF SATISFACTION</b>	<b>MEANS ACROSS AGENCIES</b>		<b>Statistical Significance</b>
	FARM CREDIT	COMMERCIAL BANKS	
Satisfaction with the Application Process	22.82	24.28	0.12 (Non-Significant)

<b>LEVEL OF SATISFACTION</b>	<b>MEANS ACROSS AGENCIES</b>		<b>Statistical Significance</b>
	CREDIT UNION	COMMERCIAL BANKS	
Satisfaction with the Application Process	24.95	23.56	0.00 (Significant)

The above results indicate that the level of satisfaction expressed by farmers is low, since the average scores are barely over the neutral point (21 in the 7-item scale used here). Based on the levels of satisfaction, the agencies can be ranked in the following order: 1. Credit Union 2. Farm

Credit 3. Commercial Banks 4. FSA. These results suggest that FSA needs to make efforts at making its application process more customer-oriented and offer the necessary customer support to facilitate the completion of application by the socially disadvantaged farmers.

**6. Factors affecting past and future participation of farmers in the financial support programs**

Survey participants were asked to identify up to three factors that discouraged them or encouraged them to participate in the financial support programs. Additionally, they were asked to suggest (up to three) improvements that would encourage them to become steady participants in these programs. The factors identified by the respondents were coded and rank ordered based on number of mentions. Only the top 10 factors from each category are included in the data presented here. These data are summarized in the table below.

**TABLE: DISCOURAGING/ENCOURAGING FACTORS AND SUGGESTIONS**

<b>FACTOR/SUGGESTION</b>	<b>Discouraging</b>	<b>Encouraging</b>	<b>Suggestion for Improvement</b>
Time for the application process	1	6	2
Interest/cost of loan	2	3	5
Knowledge of the process	3	4	8
No specific reason	4	5	3
Criteria for granting loan/support	5	7	7
Helpfulness of Agency Employees	6	2	1
Rejection/Denial	7	8	9
Race	8	-	10
Location	9	11	11
Lack of Information	10	-	-
Need for funds	-	1	-
Friends being accepted		9	-
Application Process	1	10	4
Better Access to Credit	-	-	6



We conclude from the above data, that the need for financial support is the most important factor driving the applications by the farmers. The primary discouraging factor is the time it takes the process to be concluded and the most beneficial factor would be the helpfulness of financial agency employees in guiding the farmers as they navigate the long and complex application process. Greater customer-orientation of agency employees would lead to an improvement of the current situation.

**7. Perception of treatment received from FSA/FARM CREDIT employees during the application process**

LEVEL OF SATISFACTION	MEANS ACROSS AGENCIES		Statistical Significance
	FSA	FARM CREDIT	
Satisfaction with the treatment received from agency employees during the Application Process	19.57	19.30	0.29 (Non-Significant)

The questions posed to the farmers focused on mistreatment by agency employees and consequently, higher scores indicate poorer treatment at the hands of the agency employees. Farmers believe that the treatment they received from FSA employees was worse than the treatment received from Farm Credit employees, albeit the result is not statistically significant.

**8. Farm Credit University Programs**

Survey participants were questioned about the programs offered by Farm Credit University. These programs are not well known, as only 38% of respondents are aware of the programs. The other 62% are not aware of the programs.

When questioned about participation in the programs, 16.5% of the respondents indicated participation while the overwhelming majority (81.5%) have not participated. Among those participating, 17.6% do not consider the programs to be useful, whereas a majority of (52.8%) the respondents consider them useful.

On the question regarding the recommendation of the program, 14.2% of participants will not recommend these programs to others, whereas 54.5% would do so enthusiastically.

Finally, 18.6% are not interested in future participation, whereas 61.5% of the participants indicate great interest.

## 9. Differences Across Demographic Groups

Cross-tabulation technique was used to examine the association between pairs of categorical variables. For variables such as age and years of farming experience, median split was used to create two groups. For instance, farmers aged 22 to 47 were classified as the younger group and those 48 and above were classified as the older group. In the case of farming experience, 10 years of experience was the cutoff used to create the two groups.

The results indicate that while the younger group was more likely to apply for credit/loans and had more approvals, the older group shows greater interest in applying in the future. This is in spite of greater rejection rate in the past.

Married farmers were more likely to apply for credit/loans and had more approvals compared to the others.

Those with more farming experience were more likely to apply for credit/loans and had more approvals but were slightly less interested in seeking loans in the future.

For the other variables, the results are presented in the tables below and conclusions drawn. First, we examined the farmers' prior participation in the financial support application process and their interest in future participation.

STATE	APPLIED FOR LOAN	FUTURE INTEREST	POSITIVE OUTCOME IN THE PAST
AL	96.4%	LEAST	44.0%
MS	51.4%	2 <sup>ND</sup> MOST	35.4%
NC	67.3%	3 <sup>RD</sup> MOST	50.0%
VA	43.7%	MOST	76.5%

The above results indicate that past participation is highest in Alabama, but success rate is highest in Virginia. Interest in future participation is also highest in Virginia. One reason for the high rate of loan applications in the Alabama sample is that 70% of the sample has been pre-screened (Qualtrics survey) on this criterion.

<b>GENDER</b>	<b>APPLIED FOR LOAN</b>	<b>FUTURE INTEREST</b>	<b>POSITIVE OUTCOME IN THE PAST</b>
MALE	45.5%	MORE	50.8%
FEMALE	72.6%	LESS	50.0%

Application rate is far higher among female farmers, but the rate of success is similar. Interest in future participation is higher among the male farmers.

<b>PART-TIME STATUS</b>	<b>APPLIED FOR LOAN</b>	<b>FUTURE INTEREST</b>	<b>POSITIVE OUTCOME IN THE PAST</b>
PART TIME	37.3%	MORE	37.0%
FULL TIME	78.9%	LESS	56.8%

Application for the full-time farmer group is far higher than the part-time farmer group. Further, the success rate is also higher for the full-time farmers. However, part-time farmers indicate a higher level of interest in seeking financial support in the future compared to their full-time counterparts.

<b>LEGACY STATUS</b>	<b>APPLIED FOR LOAN</b>	<b>FUTURE INTEREST</b>	<b>POSITIVE OUTCOME IN THE PAST</b>
FIRST GENERATION	57.0%	LESS	42.6%
LEGACY	61.9%	MORE	57.1%

Legacy farmer group shows a higher level of participation in the past as well as a higher success rate in comparison to the first generation farmers. The legacy farmers also indicate a higher level of interest in future participation.

Comparisons were also made between the genders and the first generation/legacy farmer groups on the multi-item composite variables created for the study purposes. These variables are Awareness, Knowledge, FSA SATISFACTION, FC SATISFACTION, CB SATISFACTION, CU SATISFACTION, FSA PERCEPTION and FC PERCEPTION.

VARIABLE OF INTEREST	MEANS ACROSS GENDER GROUPS		Statistical Significance
	MALE	FEMALE	
Interest in seeking loans	3.18	2.13	0.00 (Significant)
Awareness of Financial Support Programs offered by multiple agencies	2.41	3.33	0.10 (Non-Significant)
Level of Knowledge about Support Programs from various agencies	9.08	10.58	0.00 (Significant)
Satisfaction with FSA Application process	20.78	24.16	0.00 (Significant)
Satisfaction with Farm Credit (FC) Application process	22.83	25.17	0.03 (Significant)
Satisfaction with Commercial Bank (CB) Application process	21.71	24.76	0.00 (Significant)
Satisfaction with Credit Union (CU) Application process	23.24	26.02	0.00 (Significant)
Perception of treatment received from FSA employees	18.82	19.57	0.43 (Non-Significant)
Perception of treatment received from Farm Credit employees	18.95	19.43	0.62 (Non-Significant)

The above results indicate that female farmers report higher levels of knowledge about the financial support programs and higher levels of satisfaction with the financial agencies. Perceptions about the treatment received from FSA and Farm Credit employees are not statistically different.

VARIABLE OF INTEREST	MEANS ACROSS PART-TIME/FULL-TIME STATUS GROUPS		Statistical Significance
	PART-TIME	FULL-TIME	
Interest in seeking loans	3.33	2.01	0.00 (Significant)
Awareness of Financial Support Programs offered by multiple agencies	2.29	3.37	0.06 (Non-Significant)
Level of Knowledge about Support Programs from various agencies	8.45	11.16	0.00 (Significant)
Satisfaction with FSA Application process	20.89	23.75	0.01 (Significant)
Satisfaction with Farm Credit Application process	22.46	25.41	0.00 (Significant)
Satisfaction with Commercial Bank Application process	22.24	24.40	0.03 (Significant)
Satisfaction with Credit Union Application process	23.48	25.92	0.01 (Significant)
Perception of treatment received from FSA employees	18.68	19.74	0.25 (Non-Significant)
Perception of treatment received from Farm Credit employees	18.95	19.43	0.09 (Non-Significant)

The results show that the full-time farmers report higher levels of knowledge about the financial support programs and higher levels of satisfaction with the financial agencies. Perceptions about the treatment received from FSA and Farm Credit employees are not statistically different.

VARIABLE OF INTEREST	MEANS ACROSS LEGACY STATUS GROUPS		Statistical Significance
	FIRST GENERATION	LEGACY	
Interest in seeking loans	2.62	2.62	1.00 (Non-Significant)
Awareness of Financial Support Programs offered by multiple agencies	2.50	2.70	0.73 (Non-Significant)
Level of Knowledge about Support Programs from various agencies	10.09	9.84	0.63 (Non-Significant)
Satisfaction with FSA Application process	22.26	23.13	0.46 (Non-Significant)
Satisfaction with Farm Credit Application process	23.58	25.00	0.18 (Non-Significant)
Satisfaction with Commercial Bank Application process	23.08	23.83	0.46 (Non-Significant)
Satisfaction with Credit Union Application process	24.32	25.49	0.22 (Non-Significant)
Perception of treatment received from FSA employees	19.72	18.99	0.45 (Non-Significant)
Perception of treatment received from Farm Credit employees	19.82	18.78	0.28 (Non-Significant)

The comparisons between the first generation and legacy farmer groups indicate no statistically significant differences on any of the variables tested here.

In order to test the differences among the farmers belonging to the four different states, one-way ANOVA (Analysis of Variance), procedure was utilized. The mean scores and levels of statistical significance are presented in the table below.

VARIABLE OF INTEREST	MEANS ACROSS STATES				Statistical Significance
	ALABAMA	MISSISSIPPI	NORTH CAROLINA	VIRGINIA	
Interest in seeking loans	1.48	2.96	2.40	2.90	0.00 (Significant)
Awareness of Financial Support Programs offered by multiple agencies	3.00	2.78	3.22	2.15	0.48 (Non-Significant)
Level of Knowledge about Support Programs from various agencies	10.54	9.30	10.93	9.48	0.09 (Non-Significant)
Satisfaction with FSA Application process	23.81	21.26	21.57	25.24	0.04 (Significant)
Satisfaction with Farm Credit Application process	25.23	22.46	23.59	26.93	0.01 (Significant)
Satisfaction with Commercial Bank Application process	23.38	22.91	22.33	25.49	0.13 (Non-Significant)
Satisfaction with Credit Union Application process	25.27	24.51	23.36	26.82	0.09 (Non-Significant)
Perception of treatment received from FSA employees	19.71	19.82	17.73	19.43	0.42 (Non-Significant)
Perception of treatment received from Farm Credit employees	20.69	19.11	18.50	19.27	0.59 (Non-Significant)

Statistically significant differences among the states are noted for three variables. The level of interest in seeking loans/financial support in the future is higher among the farmers from Mississippi and Virginia compared to those from Alabama. Satisfaction with the FSA application process and Farm Credit application process is highest among Virginia farmers and lowest among Mississippi farmers. This result is of relevance to these agencies in Mississippi.

## **CONCLUSION**

- Our sample of socially disadvantaged farmers displays diversity in terms of gender, age, legacy and farming experience.
- Level of awareness of the financial support programs is low, with only 40% of farmers being aware of FSA programs and 56% being aware of Farm Credit programs.
- The proportion of socially disadvantaged farmers applying for financial support is low, ranging from 17% for FSA and 32% for Farm Credit.
- The proportion of farmers applying for financial support varies across the four states; the success rates in obtaining support vary as well.
- Reasons for the denial of financial support are catalogued in this report. The top three reasons are insufficient credit, insufficient collateral and incomplete applications.
- Knowledge levels about the financial support programs are comparable across FSA, Farm Credit and Commercial Banks.
- Satisfaction with the helpfulness of FSA employees during the financial support application process is lowest. It is lower than the level of satisfaction with the helpfulness of Credit Union employees and Farm Credit employees as well as Bank employees.
- Perceptions about the treatment received from FSA and Farm Credit employees are in the mid-range, indicating a lack of strong customer service. Socially disadvantaged farmers and ranchers hold the belief that the employees of these financial agencies are not helpful to them in navigating the application process.
- While expressing strong need, socially disadvantaged farmers feel discouraged about seeking financial support from the federal agencies.
- The frequently mentioned factors for their lack of enthusiasm in seeking financial support include the time it takes to complete the application, the interest rates and the lack of knowledge about the application process.
- Farm Credit programs are not known to a majority of the survey respondents, but those who have participated gave the programs high marks and would recommend them to others.

## **RECOMMENDATIONS**

- Increase level of awareness about financial support programs available to socially disadvantaged farmers. Several farmers mentioned that they were inspired by the positive experiences of friends or acquaintances to seek loans or financial support.



- Inform farmers about the criteria applied when sanctioning loans and about the paperwork involved to encourage greater participation.
- Farm Credit is not well known among the farmers, but viewed favorably by those who have knowledge of it. Educational programs providing information on available financial support and guidance on the application processes would be helpful to SDFR.
- Other states should consider the Virginia model by utilizing the Small Farm Agents method of assisting the SDFR with loan applications, financial planning and management.
- Lenders should be trained on cultural sensitive issues regarding SDFR
- Civil reporting and records need to be recorded with every loan applicant (partial applicant whom may not complete the application fully or full applicant.) Numerous agencies and institutions receiving federal funds have to do civil rights reporting. Lending institutions receiving federal funds should be required to do the same, and have yearly civil rights audits.)
- Lenders should receive training on the culture sensitive issues involve SDFR.
- Since conditions across state vary, holding separate Symposium in each state would be helpful