



# Delaware Young Farmers Program Overview

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## Delaware's Aglands Preservation Program

- Established in July 1991
- First funded in July 1996
- Preserved 795 farms totaling 115,000 acres (about 24% of state's farmland)
- Total expenditures - \$206 million – including \$50 million of NRCS funds and \$11 million of County funds (average cost \$1,800/acre)



# Successful Aglands Program but...

was not creating the next generation of farmers. We were not helping young farmers to establish their own operation and purchase a farm



# New Program

Provide an opportunity  
for young farmers to access capital  
needed to purchase a farm  
while also preserving the farm.



## Young Farmers Loan Program

- Established in June 2011
- 30-year, no-interest loan
- Loan is up to 70% of appraised value of development rights (NTE \$500K) – does not include any value of improvements (land only)
- Properties are enrolled in a permanent Aglands conservation easement

## Qualifying Criteria

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





## Property Criteria

- Located in Delaware
- Contain at least 15 acres of cropland
- Must not be enrolled in a conservation easement that restricts residential/commercial development at time of purchase
- Applicant must not currently own more than twice the tillable acres located on the subject property



## Process

- Applicants can prequalify (verify meet age, net worth, experience criteria)
- Submit fully executed sales contract at time of Young Farmer Loan application
- Submit a loan eligibility letter from their commercial lender
- Farm plan (business plan)



## Process, continued

- Delaware Aglands Program appraises property
- Young Farmer loan is 30-year, no interest loan for up to 70% of development rights value
- Young Farmer loan is subordinated to any other loans to help purchase the property (but easement is not subordinated)
- Promissory Note secured by a mortgage is issued for the Young Farmer loan and initial payment is due 30 days after any other mortgage on the land is satisfied

## Terms and Conditions

- Applicant must farm the property for the life (30 years) of the loan
- Applicant must take ownership of the property in their name (no S-corporation, Limited Partnership, LLC, etc.)
- If applicant sells/transfers the property before loan is paid then entire remaining amount of mortgage is due (possible to transfer to another Young Farmer)
- Property is placed in permanent Aglands Preservation easement



## Example: Young Farmer Property

- Appraised Fair Market Value: \$600,000
- Ag. only (after easement) Value: \$200,000
- Development Rights Value: \$400,000
  
- Maximum Young Farmer Loan: \$280,000  
(70% of \$400,000)

## Accomplishments to Date

- 4 rounds of applications
- 25 settled  
totaling \$6 million
- 2,100 acres preserved
- Average loan = \$241,300 (\$2,850/acre)
- Young Farmer loan (on average) = 49% of  
purchase price



## Observations – Primary Loan

- Most applicants need another loan to purchase the farm
- Having the Young Farmer loan not fund the entire purchase price helps to ensure the applicant has resources to repay the loan
- The primary lender can verify the applicant is credit worthy through their usual loan process (and thus our staff do not have to analyze credit risk)

## Observations – Family Sales

- About  $\frac{1}{4}$  of loans have been for applicant to purchase farm from family member (parent, grandparent, etc.)
- These in-family sales, while often at a reduced price, still provides the seller with significant funds to help with retirement, etc. while keeping farm in the family

## Challenges / Lessons Learned

- Overcoming potential negative equity position of applicant (farm's market value is reduced due to Ag easement but applicant often has loans totaling near farm's original market value)
- Husband and wife where only one has farming experience
- Verifying applicant's agriculture experience and net worth



# **For more information on Delaware's Young Farmers Program:**

[dda.delaware.gov/young\\_farmers.shtml](http://dda.delaware.gov/young_farmers.shtml)

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