Beginning Farmers

Audit Report 50601-0010-31
September 2022
Beginning Farmers

Audit Report 50601-0010-31

We evaluated USDA’s coordination of, and performance measures for, the beginning farmers and ranchers programs and followed up on recommendations made in our prior audit report.

OBJECTIVE

Our objectives were to:
(1) evaluate the effectiveness of the Department’s activities related to program coordination and measurement of performance for the assistance provided to beginning farmers and ranchers; and (2) follow up on recommendations made in our prior audit report.

WHAT OIG FOUND

The United States Department of Agriculture (USDA) assists beginning farmers and ranchers in order to strengthen the American agricultural economy and ensure its continued success in years to come. USDA defines a beginning farmer or rancher as a person or legal entity who has not operated a farm or ranch, or who has operated a farm or ranch for no more than 10 consecutive years.

Although the Department measured beginning farmer and rancher activities by tracking program funds expended, it did not establish outcome-based measures of performance. This owes to data analytics limitations that impaired efforts to track and report on program performance across various USDA programs, such as efforts to identify who is a beginning farmer. Consequently, the Department is not fully conveying its degree of success in achieving the desired results of beginning farmer program efforts.

We also evaluated the effectiveness of the Department’s activities related to program coordination and followed up on recommendations made in our prior audit report; we did not identify findings related to these aspects of our objectives. FSA concurred with our finding and recommendation and we accepted management decision for the recommendation.

REVIEWED

We reviewed applicable laws, regulations, and relevant documentation; reviewed State outreach plans, quarterly reports, and end-of-year reports for fiscal year 2021; interviewed officials; and reviewed the Department’s current actions as they relate to prior recommendations.

RECOMMENDS

We recommend that the Department develop and implement outcome-based measures to track and report on program performance related to beginning farmer and rancher programs and activities.
DATE: September 26, 2022

AUDIT NUMBER: 50601-0010-31

TO: Zach Ducheneaux
    Administrator
    Farm Service Agency

ATTN: Gary Weishaar
    Branch Chief
    External Audits and Investigations Division

FROM: Yarisis Rivera-Rojas
    Acting Assistant Inspector General for Audit

SUBJECT: Beginning Farmers

This report presents the results of the subject review. Your written response to the official draft is included in its entirety at the end of the report. We have incorporated excerpts from your response, and the Office of Inspector General’s (OIG) position, into the relevant sections of the report. Based on your written response, we are accepting management decision for the one audit recommendation in the report, and no further response to this office is necessary. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer (OCFO).

In accordance with Departmental Regulation 1720-1, final action needs to be taken within 1 year of each management decision to prevent being listed in the Department’s annual Agency Financial Report. For agencies other than OCFO, please follow your internal agency procedures in forwarding final action correspondence to OCFO.

We appreciate the courtesies and cooperation extended to us by members of your staff during our audit fieldwork and subsequent discussions. This report contains publicly available information and will be posted in its entirety to our website (https://usdaoig.oversight.gov) in the near future.
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Background and Objectives

Background

The United States Department of Agriculture (USDA) assists beginning farmers and ranchers in order to strengthen the American agricultural economy and ensure its continued success in years to come. USDA defines a beginning farmer or rancher as a person or legal entity who has not operated a farm or ranch, or who has operated a farm or ranch for no more than 10 consecutive years.¹

Beginning farmers can face multiple challenges, including obtaining enough capital to purchase farmland and earn a sufficient profit. Because beginning farmers tend to operate smaller farms and have fewer resources than more experienced farmers, they may find it difficult to obtain conventional credit. Moreover, beginning farmers may not be as knowledgeable as more experienced farmers about effective farming practices, financial and risk management practices, marketing opportunities, and available assistance programs.

USDA supports beginning farmers through lending and other forms of assistance. For instance, USDA’s Farm Service Agency (FSA) loans provide farmers with access to credit when they are unable to obtain financing from commercial lenders. FSA provided more than $1.8 billion for fiscal year 2020 and more than $1.7 billion for fiscal year 2021 in farm operating loans, farm ownership loans, and guaranteed loans to beginning farmers. USDA initially set aside funds for beginning farmers through the Agricultural Credit Improvement Act of 1992.² Further, the 2018 Farm Bill allows the Secretary to reimburse lenders in the event that the lender suffers a loss on a loan provided to a qualified beginning farmer.³ This act also set aside 5 percent of the Natural Resources Conservation Service’s Environmental Quality Incentives Program and Conservation Stewardship Program funds for beginning farmers and ranchers. Additionally, beginning farmers are eligible to participate in other USDA programs, such as risk management education programs through the Risk Management Agency and grant programs through the National Institute for Food and Agriculture.

Since the Agricultural Credit Improvement Act of 1992, USDA has operated the Advisory Committee on Beginning Farmers and Ranchers to advise the Secretary on ways to develop programs to provide coordinated assistance to beginning farmers and ranchers while maximizing new farming and ranching opportunities. While FSA funds the committee and has other responsibilities related to beginning farmers, USDA’s Office of Partnerships and Public Engagement (OPPE) and its predecessor, the Office of Outreach and Advocacy (OAO), have provided oversight of the committee since 2009.⁴ The committee works to enhance and expand Federal-State partnerships to provide financing for beginning farmers and ranchers.

² Ibid.
⁴ Through the 2018 Farm Bill, Congress renamed OAO to OPPE.
The 2018 Farm Bill expanded opportunities and funding for beginning farmers and ranchers throughout USDA’s various programs. This included the establishment of a new position within the Department called the National Beginning Farmer and Rancher Coordinator, which reports to FSA. The national coordinator, in consultation with State officials, designated State Beginning Farmer and Rancher Coordinators for each State.

The national coordinator is responsible for coordinating Department activities on programs and policies related to beginning farmers and ranchers. The national coordinator also facilitates interagency and interdepartmental collaboration and approves State outreach plans. Each State coordinator is responsible for developing and reporting on an outreach plan for their respective State. These plans include goals for beginning farmer and rancher programs and metrics to measure the success of these goals.

Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals. Performance measures may address the type or level of program activities conducted (process), the direct products and services delivered by a program (outputs), or the results of those products and services (outcomes). Office of Management and Budget (OMB) Circular A-11 encourages the use of outcome-based performance indicators. An output-based indicator is a type of measure, specifically the tabulation, calculation, or recording of an activity or effort, usually expressed quantitatively. An outcome-based indicator is a type of measure that indicates progress against achieving the intended result of a program.

Figure 1. Performance Measurement Framework. Created by the Office of Inspector General (OIG).

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Prior Audit

In May 2015, OIG reported on the effectiveness of the Department’s program coordination and measurement of performance for the assistance the Department provided to beginning farmers and ranchers. OIG concluded that the Department lacked sufficient performance goals, direction, coordination, and monitoring to ensure the success of the assistance. OIG recommended and the Department agreed to oversee the beginning farmers and ranchers initiative, which included ensuring that the agencies support this initiative and develop measurable goals.

Objectives

Our objectives were to: (1) evaluate the effectiveness of the Department’s activities related to program coordination and measurement of performance for the assistance provided to beginning farmers and ranchers; and (2) follow-up on recommendations made in our prior audit report 50601-0003-31, USDA Beginning Farmers and Ranchers Programs.

We did not identify concerns with the portion of the objectives relating to program coordination, nor our follow up on recommendations made in our prior audit report. See Exhibit A for prior recommendations.

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Finding 1: The Department Could Better Measure the Outcomes of Programs Related to Beginning Farmers and Ranchers

Although the Department measured beginning farmer and rancher activities by tracking program funds expended, it did not establish outcome-based measures of performance. This owes to data analytics limitations that impaired efforts to track and report on program performance across various USDA programs, such as efforts to identify who is a beginning farmer. Consequently, the Department is not fully conveying its degree of success in achieving the desired results of beginning farmer program efforts.

The Government Performance and Results Act Modernization Act of 2010 requires agency performance plans to have a balanced set of performance indicators used in measuring or assessing progress toward each performance goal, including output and outcome indicators.7 OMB Circular A-11 encourages the use of outcome-based performance indicators, which is a type of measure that indicates progress against achieving the intended results of a program.8

Through discussions with Department officials, we determined that the Department tracks the number of beginning farmers it supports through financial assistance. For instance, the Department reports data on the percentage of loans made to beginning farmers in its Annual Performance Report; however, it does not publicly report on the outcomes of the loans and other assistance. The Department’s Annual Performance Report identifies program participation numbers, which are quantitative, but does not convey whether the financial assistance provided long-term benefits to beginning farmers.

On the State level, we found that States collect quantitative and output-based data. As required by the 2018 Farm Bill, States developed beginning farmer education and outreach plans, which outline the States’ needs and encompass measurable goals and metrics for beginning farmers and ranchers. Specifically, we reviewed 51 State and Territory outreach plans for fiscal year 2021 and found that the plans generally identified priority programs, goals, and associated metrics for how the State office will track the achievement of the goals in the fiscal year. Examples of data metrics the States track include the number of beginning farmers: (1) receiving direct loans from FSA; (2) receiving guaranteed loans; (3) obtaining crop insurance; and (4) obtaining assistance through Value Added Producer Grants. In addition to the outreach plans, States submit annual plan accomplishments and report progress in meeting their goals and metrics each year.

While we found it reasonable for States to focus on output-based data for their State-specific needs, the Department—being responsible for coordination—could better focus on outcome-based measures. Outcome-based measures are essential to evaluate the long-term benefits that Departmental support and funds directly have on beginning farmers and ranchers.

Prior Government Accountability Office (GAO) and OIG reports have also identified the need for measuring outcomes of programs related to beginning farmers and ranchers. For example,

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in 2007, GAO reported that the Department could not demonstrate the effectiveness of its support for beginning farmers, as USDA tracked the number of farmers it assisted and the dollars they received, rather than progress toward achieving a particular outcome. Then, in 2015, OIG recommended that the Department develop a strategic goal and provide direction to the agencies in defining outcomes of beginning farmers programs using a standardized working definition of a beginning farmer.

We determined the Department has been taking steps to address data analytic limitations and challenges. For example, in discussions with FSA officials, one official stated the agency has been making progress towards establishing outcome-based measures and has plans to aggregate data into a multi-agency dashboard. In November 2021, FSA officials told us that there have been discussions in the Farm Program and Conservation Business Center regarding challenges tracking borrower outcomes, as the agency stops receiving data on the borrower when a loan is repaid. The officials went on to state that they were currently undertaking an information technology modernization process, which might allow better tracking in the future. The planned timeframe for this process is 5 years. In June 2022, FSA officials provided us with additional information about short-term and multi-year efforts to expand metrics capabilities, measure outcomes, and improve customer outcomes.

In addition, the Department is currently pursuing a beginning farmer and rancher profitability study with study results anticipated in fiscal year 2022. Through the ongoing study, the Department is looking into tracking producers over time to see if the FSA loan program participation has impacted the profitability or viability of beginning farmer and rancher operations. While the Department has started focusing on data analysis for beginning farmers, we believe the Department should capitalize on the opportunity presented by information technology modernization efforts to develop and report outcome-based measures to track the effect of assistance given to beginning farmers.

We understand that the outcome of participation in the programs related to beginning farmers and ranchers can be difficult to measure, and we recognize the work the Department is doing to assist beginning farmers and ranchers. However, by not establishing and reporting on outcome-based performance measures, the Department cannot fully evaluate program effectiveness or determine the impact that program activities have on the success of beginning farmers and ranchers. Department officials agreed and said they would like to identify gaps where additional reporting in the future would be beneficial.

Recommendation 1

The Department should develop and implement outcome-based measures to track and report on program performance related to beginning farmer and rancher programs and activities.

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9 GAO, Beginning Farmers: Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance, GAO-07-1130 (Sept. 2007).
10 The Department addressed the recommendations by affirming a working definition of beginning farmers across the Department to be 10 years or fewer and established an agency priority goal to support increased access and opportunity for beginning farmers.
Agency Response

FSA stated it will lead an agencywide effort to identify and develop outcome-based measures to track on program impacts and performance related to beginning farmer and rancher programs and activities. This effort will leverage existing program data and experts across the Department to determine the best way to analyze, report, and communicate the impacts of USDA programs on beginning farmers. Where program data is not available recommendations will be made to agencies on what data to collect to support program evaluation. FSA will include a data driven evaluation strategy that focuses on outcome-based measures in its beginning farmer strategic plans. FSA will incorporate resources for this effort during the budget formulation process as needed and where appropriate. The estimated completion date is August 5, 2023.

OIG Position

We accept management decision for this recommendation.
Scope and Methodology

Our audit evaluated USDA’s programs related to beginning farmers and ranchers. Specifically, we evaluated the effectiveness of USDA’s activities related to program coordination and measurement of performance for the assistance provided to beginning farmers and ranchers. We also followed up on recommendations made in our prior audit report, Audit 50601-0003-31, USDA Beginning Farmers and Ranchers Program.12 The audit covered programs related to beginning farmers and ranchers for fiscal year 2020 through March 31, 2021. We initiated fieldwork in April 2021 and completed our fieldwork in May 2022.

To accomplish our objectives, we:

- reviewed applicable laws, regulations, and other relevant Department documentation;
- obtained and reviewed 51 State and Territory outreach plans, 40 quarterly reports, and 5 end-of-year reports for fiscal year 2021;13
- interviewed FSA, National Institute of Food and Agriculture, Natural Resource Conservation Service, OPPE, and Risk Management Agency officials regarding beginning farmer and rancher activities;
- interviewed the National Beginning Farmer and Rancher Coordinator as well as the Regional Beginning Farmer and Rancher Coordinators regarding their roles and responsibilities in carrying out beginning farmer and rancher programs; and
- reviewed the Department’s current actions as they relate to recommendations in Audit Report 50601-0003-31. See Exhibit A.

We assessed internal controls to satisfy the audit objectives. Our assessment included internal control components and principles of the Standards for Internal Control in the Federal Government.14 In particular, we assessed the following component and underlying principle:

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<th>Component</th>
<th>Principle</th>
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<td>Monitoring Activities</td>
<td>Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.</td>
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However, because our review was limited to this internal control component and underlying principle, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. During the course of our audit, we did not verify information from any of USDA’s electronic information systems, and make no representation regarding the adequacy of any agency’s computer system or the information generated from it.

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13 We reviewed the plans and reports that were available at the time of our requests to gain understanding of State-level goals. The State coordinator position is a collateral duty, the quarterly reports were not required, and the end-of-year reports were not yet due.
We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Abbreviations

FSA ..................................... Farm Service Agency
GAO .................................... Government Accountability Office
OAO ................................. Office of Advocacy and Outreach
OIG ................................. Office of Inspector General
OMB ................................. Office of Management and Budget
OPPE ................................. Office of Partnerships and Public Engagement
USDA ............................... United States Department of Agriculture
**Exhibit A: Prior Audit Recommendations**

The table below lists the results of our follow up on prior recommendations made from Audit Report 50601-0003-31, *USDA Beginning Farmers and Ranchers Program*, issued in May 2015. OIG conducted the audit prior to the issuance of the 2018 Farm Bill, when OPPE was previously OAO. The 2008 Farm Bill was the applicable regulation at the time of the prior audit.

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<th>Recommendation Number</th>
<th>Recommendation Detail</th>
<th>Recommendation Closed</th>
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<tr>
<td>1</td>
<td>Conduct a review of OAO to assess the agency’s resource needs to perform the duties specified in the 2008 Farm Bill and adjust OAO resources accordingly.</td>
<td>Yes</td>
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<td>2</td>
<td>Provide direction to the agencies in defining consistent and measurable outcomes of the various beginning farmers programs and assistance, using a standardized working definition of “beginning farmer” across the Department.</td>
<td>Yes</td>
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<td>3</td>
<td>Create a Departmental strategic beginning farmers goal that identifies the desired outcomes for its beginning farmers assistance and links to related agency performance goals.</td>
<td>Yes</td>
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<td>4</td>
<td>Develop a work plan with milestone dates to measure outcomes of the established goals for beginning farmers assistance in USDA as a whole and achieve commitment by requiring participation from senior officials of the Department and agencies.</td>
<td>Yes</td>
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15 Due to restrictions related to the coronavirus disease 2019 pandemic, we were not able to obtain documentation of actions taken to address the recommendations in this audit report; therefore we reviewed what the Department was currently doing related to beginning farmers and did not identify a recurrence of findings that were presented in this audit report.


17 The Office of the Chief Financial Officer will close audit recommendations(s) if final action is achieved. For final action, each recommendation must have a description of the measures taken to comply/implement the specific actions of the management decision along with sufficient supporting documentation.
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<td><strong>5</strong></td>
<td>Direct agencies across all mission areas to work with OAO in accomplishing the Department’s initiative to assist beginning farmers. Ensure OAO has the authority to work across mission areas of the Department to carry out its goals and duties.</td>
<td>Yes</td>
<td></td>
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| **6** | Develop a timeline to ensure all seven of OAO’s mandated duties related to beginning farmers from the 2008 Farm Bill are accomplished, specifically including:  
  - Establishing and monitoring the goals and objectives of the Department to increase participation by beginning farmers.  
  - Assessing the effectiveness of Department outreach programs.  
  - Developing a coordinated outreach plan for activities and services provided by the Department.  
  - Measuring the outcomes of the programs and activities of the Department. | Yes |   |
| **7** | Direct OAO to develop and issue policies and procedures for overseeing the Advisory Committee, which includes guidance on how often OAO should convene the Advisory Committee and provide a timeline for delivering recommendations to the Secretary. | Yes |   |
Agency’s Response

FSA’s Response to Audit Report
September 12, 2022

AUDIT
NUMBER: 50601-0010-31

TO: Yarisis Rivera-Rojas
Acting Assistant Inspector General for Audit Office of the Inspector General

FROM: Zach Ducheneaux /s/
Administrator
Farm Service Agency

SUBJECT: Beginning Farmers

This letter responds to your request for management’s response to the audit recommendations in the draft audit report No. 50601-0010-31.

USDA appreciates OIG's review of the issue of beginning farmers and ranchers, which is a top priority of focus and work for the Department of Agriculture. This report, which reviews work undertaken by the Department within Fiscal Year 2021 and follows up on recommendations related to program coordination from the prior 2015 audit, will help inform and guide our work moving forward.

As you noted in your report, USDA has undertaken a comprehensive effort to enhance and increase our support of new and beginning farmers and addressed many of the concerns related to program coordination. Through the implementation of the 2018 Farm Bill, FSA has led a Departmentwide effort to support the next generation by providing technical assistance, program delivery, and outreach to beginning farmers while increasing their profitability and viability. USDA is focused on recruitment and retention of beginning farmers, understanding the factors that impact their success, and quantifying the impacts of USDA’s programs and investments. We are committed to evaluating the impacts of USDA programs using metrics and indicators that can inform improvements to and the creation of new programs and policies targeting beginning farmers, per the notations that follow.

Again, we thank OIG for your attention to the matter of new and beginning farmers. These recommendations, in part, underscore the work underway at USDA to enhance, modernize, and provide meaningful assistance to new and beginning farmers and ranchers.

If you have any questions or need additional information, please contact my office at (202)720-6215 or Sarah Campbell, USDA's New and Beginning Farmer and Rancher Coordinator, at sarah.campbell@usda.gov.

Enclosure
The Farm Service Agency provides the following responses to the audit recommendations:

RECOMMENDATION 1: Department develop and implement outcome-based measures to track and report on program performance related to beginning farmer and rancher programs and activities.

DEPARTMENT RESPONSE: FSA will lead an agencywide effort to identify and develop outcome-based measures to track on program impacts and performance related to beginning farmer and rancher programs and activities. This effort will leverage existing program data and experts across the Department to determine the best way to analyze, report, and communicate the impacts of USDA programs on beginning farmers. Where program data is not available recommendations will be made to agencies on what data to collect to support program evaluation. FSA will include a data driven evaluation strategy that focuses on outcome-based measures in its beginning farmer strategic plans. FSA will incorporate resources for this effort during the budget formulation process as needed and where appropriate.

DATE CORRECTIVE ACTION WILL BE COMPLETED: August 5th, 2023
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