Delaware Young Farmers
Program Overview

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Program Goal

Provide an opportunity for young farmers to access capital needed to purchase a farm while 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

- DALPF 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 are 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
- 26 approved loans (22 settled to date) totaling $6.2 million
- 2,175 acres preserved
- Average loan = $237,500 ($2,850/acre)
- Young Farmer loan (on average) = 48% of purchase price
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

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