

For Farmers, a Little Letter Leads to a Little Money

September 30, 2015



The US Department of Agriculture (USDA) wanted farmers who are just starting out, run small farms, or are disadvantaged to apply for its new loan program. In an attempt to increase participation, SBST sent an outreach letter to all farms in certain zip codes, selected randomly, in nine states. The letters contained information about USDA's loan program, contact information for local loan officers, and a URL for additional information.

SBST found that 131 farms (9%) in the zip codes that were not sent a letter applied for and received a small loan, or microloan, from the USDA. On the other hand, 165 farms (11%) in the zip codes that were sent letters applied for and received a microloan, marking a difference of 2%.

The researchers also looked at the effects of the outreach letters by examining the business conducted at local Farm Service Agency offices, where farmers can learn more about loans. In zip codes to which letters were not sent, microloans generated 3% of the activity per office. In zip codes targeted with letters, on the other hand, 5% of each office's activity was related to microloans.

In sum, outreach letters appeared to be linked to an increase in microloans awarded and also were related to increased activity at local loan offices.

"Providing actionable information to new farmers can increase access to Microloan credit," concluded the SBST report. "USDA plans to build on this success with a second campaign this coming year."