



Economic Research Service
National Agricultural Statistics Service

USDA Microloans for Farmers: Participation Patterns and Effects of Outreach

FedCASIC 2017
April 11, 2017

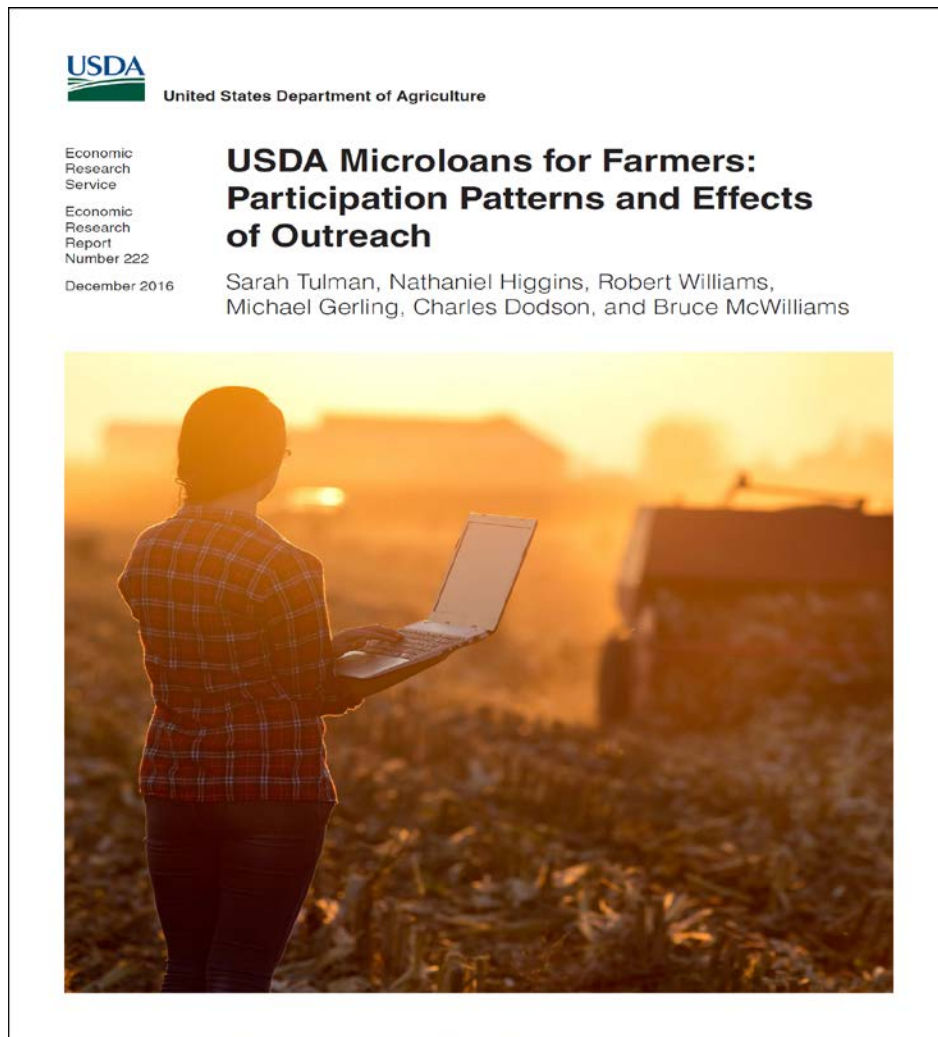
Sarah Tulman (USDA Economic Research Service)
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Economic Research Service
National Agricultural Statistics Service

Tulman, Sarah, Nathaniel Higgins,
Robert Williams, Michael Gerling, Charles
Dodson, and Bruce McWilliams.

*USDA Microloans for Farmers:
Participation Patterns and Effects of
Outreach*, ERR-222, U.S. Department of
Agriculture, Economic Research Service,
December 2016.



<https://www.ers.usda.gov/publications/pub-details/?pubid=81870>

What is a Microloan?

Farm Service Agency (FSA) Direct Farm Operating Microloans of up to \$50,000. Program launched in January 2013.

Designed for the smaller, non-traditional, and niche-type operations. Especially targeted at beginning farmers (10 or fewer years), historically disadvantaged groups (minorities and women), and veterans.

Operating loan (purchase livestock and feed, farm equipment, fuel, farm chemicals, and insurance and covering other operating costs, including living expenses).

Only 1 application document, vs. 9 for FSA's traditional Direct Operating Loans.

Relaxed criteria for farm management, production history, and collateral.

No minimum loan amount.

Who received Microloans (2013-2015)?

- 90% of Microloans were received by members of targeted groups.
 - 81% by beginning farmers
 - 35% by minorities and/or women
 - 79% of which were also beginning farmers
 - 7% by veterans
- Number of loans increased each year across all categories.
- Microloans most heavily concentrated in commodity specializations with smaller average farm size
 - 56% of Microloans went to beef cattle operations
- Microloans most heavily concentrated in regions with smallest average farm size and/or highest percentage of farms with at least one operator from a targeted group.



Does increasing potential borrowers' awareness of the Microloan Program increase the interest in and uptake of Microloans?

Experiment: Overview

Conducted an experiment looking at how outreach affects Microloan uptake

Outreach is especially important for programs that are (1) new and (2) targeted at non-traditional population

Pilot mailing (Spring 2015):

- A group of principal operators was chosen to receive outreach letters
- Compared the interest in and receipt of Microloans among farmers who received letters vs. those who did not

Letters were mailed by NASS but appeared to come from FSA. **Farmers were not aware that they were part of an experiment.**

Letter design incorporated features from the behavioral economics and eye-tracking literature



Dear farmername,

Why am I getting this letter?

We at the Farm Service Agency (FSA) are approaching farmers in your area to encourage farmers like you to learn more about **microloans**: direct farm operating loans of *up to \$50,000* designed to meet the needs of farmers like you in smaller, non-traditional, and niche-type operations.

Your microloan can help you grow your farm by purchasing livestock and feed, farm equipment, fuel, farm chemicals, and insurance and covering other operating costs, including living expenses.

Thousands of farmers like you find microloans are the right fit for their farms – microloans have:

- Only one short application document. (Applicants must qualify)
- Streamlined balance sheet & credit requirements.
- Experience and production record requirements designed for farmers like you.
- No minimum loan amount – and up to \$50,000.
- No down payment required.

FSA officers are here to help you prepare and submit your application with one-on-one assistance – contact your local office today and make this season a fresh start.

Happy farming!

Val Dolcini
Administrator,
USDA Farm Service Agency



What should I do next?

To grow your farm with a microloan of up to \$50,000, contact position name at phone or email

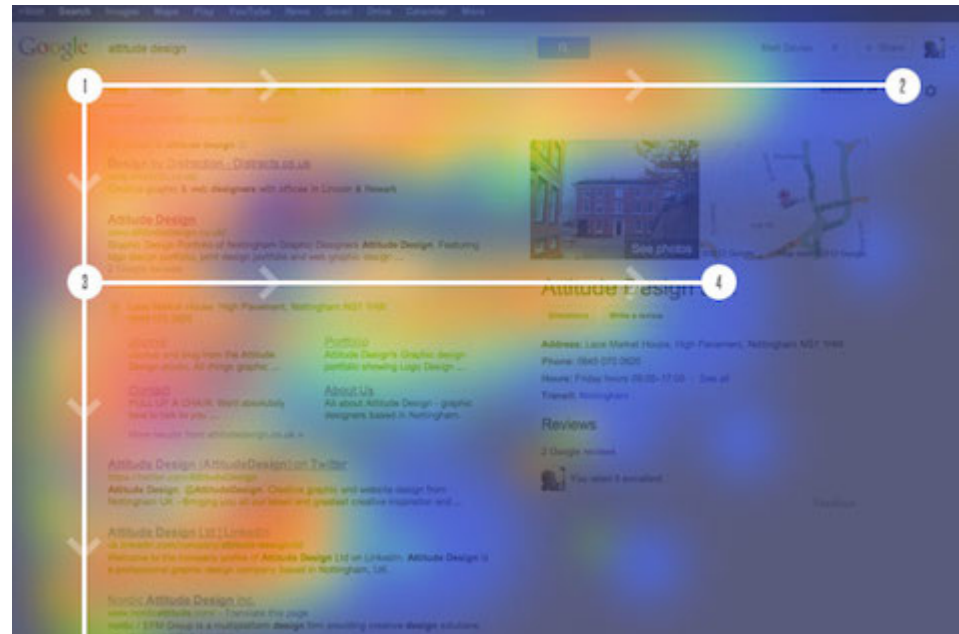
Start your application *today* to ensure your farm's success this growing season.

PS. Check out the microloan fact sheet at www.fsa.usda.gov/micro. Spread the word!
¿Habla español? www.fsa.usda.gov/micro.esp

Eye Tracking Studies – Web Page and Mail Letter Design



"Understanding How People Read Your Direct Mail Results In Higher Response Rates " by Hugh Chewning



The F Layout

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This is a headline or mission statement for the website.



Use Catchy Words

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Pellentesque justo erat, consequat in venenatis sit amet, convallis et mauris.



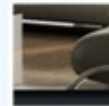
Headlines Should Be Sexy!

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Categories

- Photoshop
- Tutorials
- WordPress
- Site Elements
- Web Design
- Freebies
- Typography
- More!
- Layouts

Use Awkwardly Shapes Elements To Break Up The Visual Flow



Fresh Content

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Pellentesque justo erat, consequat in venenatis sit amet, convallis et mauris.

Our Authors

- Curt
- James
- Max
- Mahmoud
- Brandon
- Skellie
- Shaun
- Collis
- Speider
- Aaron



Scannable Headlines

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Happy farming!

Val Dolcini
Administrator,
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What should I do next?

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Start your application *today* to ensure your farm's success this growing season.

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¿Habla español? www.fsa.usda.gov/micro.esp

Personalized with agricultural operator's name.

Dear farmername,

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High quality paper

Signed by FSA Administrator

Personalized with operator's FSA contact person's info.



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Box:
what to do
next.

Bullets

High quality
image

Postscript -
what to do.
Easy URL

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¿Habla español? www.fsa.usda.gov/micro.esp

Dear farmername,

Why am I getting this letter?

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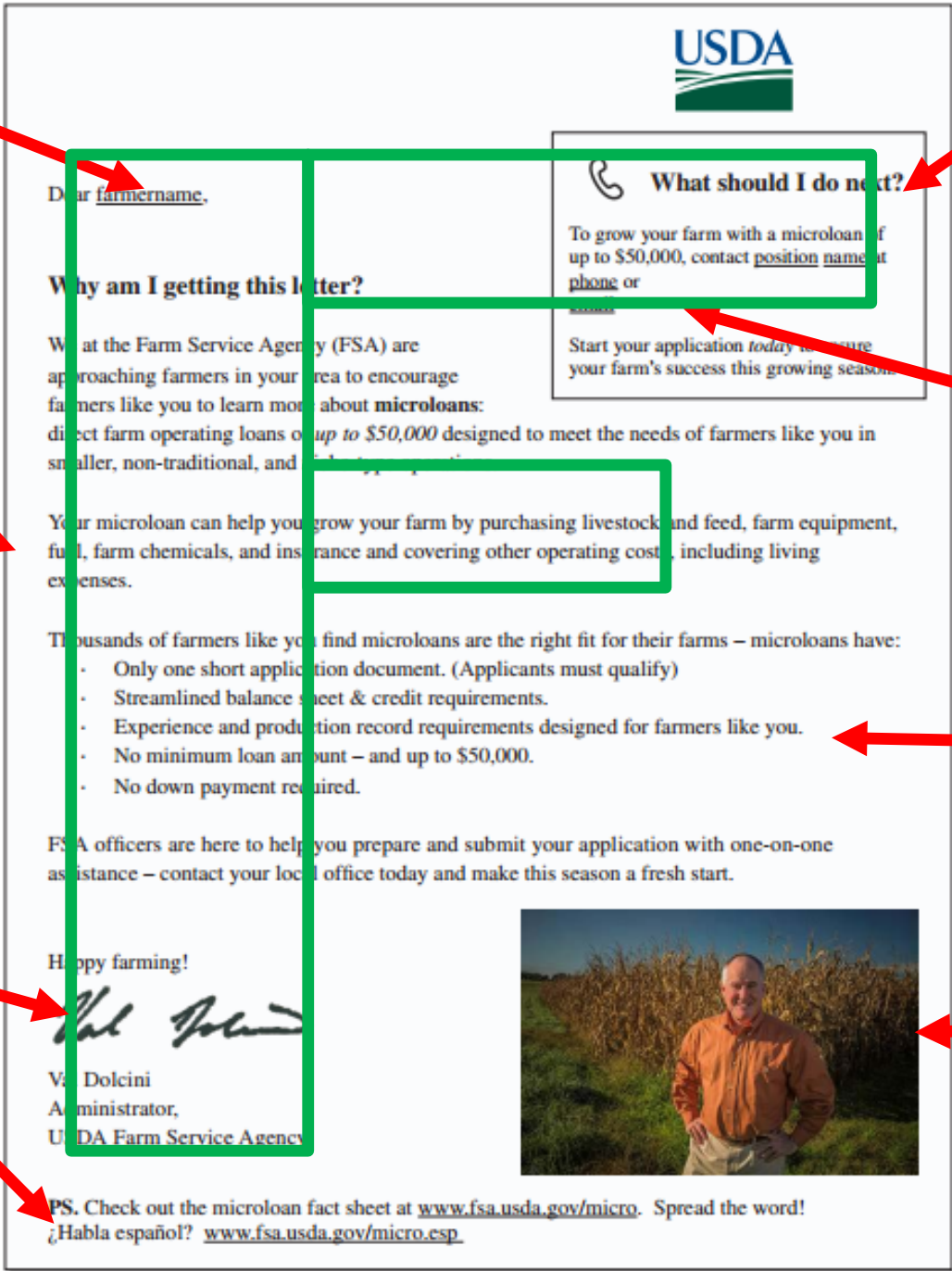
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Personalized with agricultural operator's name.

Box: what to do next.

High quality paper

Personalized with operator's FSA contact person's info.

Signed by FSA Administrator

Bullets

Postscript - what to do. Easy URL

High quality image

Experiment

- Spring of 2015
- Nine Southern States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.
- Farmers in certain ZIP Codes received an informational letter on the Microloan program and how to obtain more information, while farmers in other ZIP Codes did not.
- Used sampling and randomization techniques that minimize the likelihood that unobserved differences between farmers in different zip codes (rather than the informational letter) are contributing to Microloan participation.

Sampling Method

First Stage

- 2012 Census of Agriculture
- Randomized within 2 strata levels
 - State
 - Deciles of density of farms with one or more operator belonging to targeted groups (beginning farmer, women, minority)
- Deciles by both absolute and percentage
 - Combination of these two measures: $x, y/x$
 - x = number of farms, y = number of farms with at least one operator belonging to a targeted group
- Randomize at the level of decile pairs
- Dropped less-dense pairs from the sample

Sampling Method (continued)

Second Stage

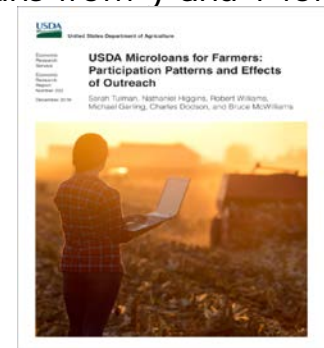
- NASS List Frame (mailing list)
- Updated farm counts
- 1,848 ZIP Codes received treatment - *i.e., all principal operators in these ZIP Codes received a letter.*
- 140,223 farms and ranches in treatment zip codes versus 144,924 in control zip codes

Analysis

In order to analyze the experimental approach we used:

- (1) New FSA Receipt for Service data (mandated under the 2014 Farm Bill) to track the effect of outreach on interest in the Microloan program.
- (2) FSA's direct loan obligation data to track the number and locations of Microloans that were eventually received.
- (3) $y = \beta_0 + \beta_1 T + u$, where β_1 is the effect of the treatment and u is an observable effect.
- (4) $y_{mc} = \beta_0 + \beta_1 T_{mc} + u$, where y_{mc} and T_{mc} represent the strata-mean-centered versions of y and T described above. That is, we calculated the mean of y within each strata, the mean of T within each strata, and subtracted these means from y and T for each observation.

Additional information is available in our report:





- **Doubled the rate of inquiries** about the Microloan Program at FSA county offices, from 2.64 percent to 5.54 percent of all inquiries at those offices.
 - 95-percent confidence interval [1.78, 3.99], p-value < 0.01.

- **27 percent increase** in borrowers receiving Microloans from targeted letters.
 - The treatment had an effect of approximately 0.06 percent (95-percent confidence interval [.02, .09], p-value < 0.01) of all farms.

- **82 additional operations** received loans, at an incremental cost of \$875 each

Example of a NASS survey letter.

What would you change?



United States Department of Agriculture
National Agricultural Statistics Service
Your Field Office
Cooperating with 



Dear Widget Producer:

Enclosed is a copy of your February 2017 Widget Survey. This survey collects information from producers nationwide on widget production and inventories. Your response is important and will help provide an up-to-date measure of U.S. widget inventories.

Please respond to the survey in either of the following ways:

- **Online at www.agcounts.usda.gov.** *Online reporting is the fastest, most cost-effective, and most secure way to complete the survey.* All you need is the identification number on the enclosed form to begin. Instructions for this easy option are included on the back of this letter.
- **By mail or fax.** Complete the enclosed form and mail it back in the return envelope provided or fax it to **(XXX) XXX-XXXX**.

If you do not respond by December 30, 2016 a NASS representative may reach out to you to arrange a telephone or personal interview. Our representatives will contact you by phone before attempting to visit your operation.

We safeguard the privacy of all respondents, ensuring that no individual operation or producer can be identified. NASS will publish the results on February 28, 2017 in the #Widget report available at www.nass.usda.gov/publications.

Thank you for participating and for your support of agricultural statistics and [State] agriculture. If you have questions or concerns, please contact **[Firstname, Lastname]** at (800) **XXX-XXXX**.

Sincerely,]

[Name]

[State Statistician/Director/Title]

Enclosures

Mailing Address - City, State Zip
(800) 111-1111 - (800) 111-1111 FAX - www.nass.usda.gov

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