



Student Loan Debt: Challenges for Young Farmers and Ranchers

The future of New Mexico's agricultural industry depends largely on attracting a new generation of farmers and ranchers. New Mexico's agriculture workforce is older on average than at any other time in history. The average age of a New Mexico principal operator is 61 (the highest average age of farmers and ranchers nationally), while less than five percent are under the age of 35 and nearly a third are 70 or older.ⁱ Despite a recent uptick in the number of young farmers from 2007 to 2012, New Mexico farmers over the age of 55 outnumber those under 35 by 14 to 1.ⁱⁱ If we fail to recruit and support enough new farmers and ranchers, we risk furthering the consolidation of our food system, increasing permanent losses of agricultural lands, and losing a generation of land and water stewards.

Young and beginning farmers and ranchers face unique challenges in launching a career in agriculture including high start-up costs and a lack of resources available for training and support. Another major challenge facing young farmers and ranchers is student loan debt. Americans are carrying more student debt than ever before. Approximately 37 million people have student loan debt, and the average amount owed is \$23,000 (average student loan debt in New Mexico was \$21,314 as of 2016).ⁱⁱⁱ College loans represent a significant debt burden for many prospective students interested in either operating the family farm or pursuing a career in agriculture and other industries in rural areas. Research also shows that some high school students, especially from low-income families, are deterred from pursuing higher education at four-year colleges and universities because of aversion to student loan debt.^{iv}

Student loan debt has become one of the most significant challenges our nation's young farmers and ranchers face. In 2014, NYFC surveyed more than 700 members with student loans and found that they had an average debt of \$35,000.^v Nearly 30 percent of those surveyed said they delayed or opted out of farming because of an inability to make loan payments on a farming salary. More than 50% were farming but struggled to make student loan payments. 28% of respondents say student loan pressure has prevented them from growing their business, and 20% of respondents reported being unable to obtain credit because of their student loans. The report also found that farmers have a harder time making monthly student loan payments than other young workers. Many get paid once a year, at the end of the harvest season. Student loan debt may be particularly challenging in New Mexico where growers make about \$35,000 less annually than the average U.S. producer.^{vi} Overall, student loan debt prevents young farmers from investing in their business or qualifying for a loan to purchase land and equipment.

Student Loan Repayment Programs

A promising approach to attracting and keeping young people in the agriculture industry involves offering financial assistance to help manage student loan debt in exchange for committing to a career in agriculture. At least 35 states have some type of education loan forgiveness or repayment program for qualified borrowers.^{vii} Loan repayment programs provide debt relief to borrowers of public student loans who make an active choice to obtain employment in particular professions and provide a financial incentive to encourage individuals to remain employed in a high-need profession or occupation – often in under-served locations such as rural areas. In New Mexico, the New Mexico Higher Education

Department offers a variety of loan repayment and loan for service programs (for students currently enrolled in a professional program) for medical professionals, teachers, and public interest attorneys. Each program typically has a multi-year service obligation and encourages applicants to work in specific geographic areas where those professions are in short-supply.

Multiple studies have found that loan repayment programs are effective at recruiting and retaining professionals into geographic and practice areas with shortages. An analysis of 43 studies exploring the effectiveness of financial incentive programs in recruiting and retaining healthcare workers in underserved areas found that financial incentives (including service scholarships, loan forgiveness, and loan repayment programs) contributed to large numbers of healthcare workers working in underserved areas.^{viii} Also, participants in these programs were more likely than non-participants to work in underserved areas in the long run. One study of state loan repayment programs and service scholarships for physicians who committed to work in underserved communities for a designated period found that 93% of participants completed their commitment, and approximately two-thirds remained in these communities for more than eight years. Another study of 229 medical students found that 48% of students would be more likely to return to an underserved community in their home state if they received loan forgiveness to do so.

Several states offer loan repayment programs to encourage more young people to enter the agriculture industry. The **New York State Young Farmers Loan Forgiveness Incentive Program**, for example, provides student loan repayments (up to \$50,000 over the course of the program) to individuals who obtain an undergraduate degree and commit to operating a farm in New York State, on a full-time basis, for five years.^{ix} The program grants up to ten awards per year with priority given to prior recipients seeking payment and economically disadvantaged applicants. The program is open to anyone with an undergraduate degree from an approved New York state college or university. Other states are considering similar programs. In Wisconsin, legislators introduced a bill to help beginning farmers pay back their student loans.^x The **New Farmer Student Loan Assistance Program** would reimburse up to \$30,000 of student loan debt over five years for farmers who recently graduated from college or technical school. The bill calls for \$120,000 for the first year of the program, eventually increasing to \$600,000 in reimbursements per year. The program would offer assistance up to 20 recent graduates each year who agree to operate or work on a small farm as their primary employment.

Altogether, while loan repayment programs may only directly benefit a small number of applicants each year, the indirect impact of bringing more young people into the agriculture industry will help boost rural economies, expand local food options and promote land and water stewardship. A healthy farm economy remains the economic backbone of many rural communities in New Mexico. Through equipment and input purchases, employment, and locally sold goods, farms pay big dividends for communities through economic multipliers. Multipliers measure the additional economic output of an investment in an industry – the economic ripple effects. A 2007 NMSU study, for example, found that the vegetable and melon farming in Bernalillo and Valencia Counties had a 2.45 employment multiplier, indicating that there are an additional 1.45 jobs in the economy for every one person directly employed in producing vegetables.^{xi} The same study found an output multiplier of 2.0, indicating that \$1.00 output from these sectors results in approximately another \$1.00 output elsewhere in the economy. Therefore, by helping recruit more young farmers and ranchers, loan repayment programs can enhance local economies and create new jobs.

The New Mexico Next Generation of Farmers and Ranchers Loan Repayment Program

The Resilience in New Mexico Agriculture strategic plan includes a recommendation to establish a student loan repayment program to assist individuals who agree to operate or work on a farm or ranch in New Mexico within the Higher Education Department. To promote sustainable growth and retention of new farmers, this program should include the following key provisions:

- Assist at least 10-20 new young farmers each year who have completed higher education or university-based farmer training programs.
- Grant up to \$22,000/person over a period of 5 years to help cover the cost of repaying student loans and interest, indexed to inflation.
- Require a recipient to:
 - Farm for at least five years in that state;
 - Be a state resident whose primary occupation is to operate a small farm, defined as between \$35,000 and \$500,000 in gross annual sales;
 - Apply within five years after obtaining a degree; and
 - Begin to operate a small farm no later than five years after obtaining a degree.
- Prioritize recipients that:
 - Graduate from New Mexico colleges and universities;
 - Have substantial financial need;
 - Intend to pursue farming as a career;
 - Are most likely to succeed in farming based on interest, training, expertise; and
 - Are from underrepresented groups in the agriculture community.
- Allow for breaks in farming due to circumstances beyond someone's control, including military service.

For more information and draft legislative language, contact Alex Funk at alex@youngfarmers.org.

ⁱ USDA NASS. (2012). *Census of Agriculture*.

ⁱⁱ *Id.*

ⁱⁱⁱ Albuquerque Business First. Retrieved from <https://www.bizjournals.com/albuquerque/news/2017/08/11/heres-the-average-student-loan-debt-at-new-mexico.html>

^{iv} The Project on Student Debt. (2005, September). *The Student Debt Dilemma*. Retrieved from https://ticas.org/sites/default/files/pub_files/DebtDilemma.pdf

^v National Young Farmers Coalition. (2015, January). *Farming is a Public Service*. Retrieved from <http://www.youngfarmers.org/reports/FIPSReport.pdf>.

^{vi} USDA NASS. (2012). *Census of Agriculture*.

^{vii} National Conference of State Legislatures. (2015, November) *Student Loan Debt*. Retrieved from <http://www.ncsl.org/research/education/student-loan-debt.aspx>.

^{viii} Learning Policy Institute. (2016, April) *How Effective are Loan Forgiveness and Service Scholarships for Recruiting Teachers?* Retrieved from https://learningpolicyinstitute.org/sites/default/files/product-files/How_Effective_Are-Loan_Forgiveness_and_Service-Scholarships_Recruiting_Teachers.pdf.

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- ^{ix} New York State. *New York State Young Farmers Loan Forgiveness Incentive Program*. Retrieved from Higher Education Services Corporation: <https://www.hesc.ny.gov/pay-for-college/financial-aid/types-of-financial-aid/nys-grants-scholarships-awards/new-york-state-young-farmers-loan-forgiveness-incentive-program.html>.
- ^x Wisconsin State Legislature. *New Farmer Student Loan Assistance Program*. Retrieved from <http://legis.wisconsin.gov/assembly/45/spreitzer/media/1281/summary-2-8-16-new-farmer-student-loan-assistance-program.pdf>.
- ^{xi} New Mexico State University. (2007). *Economic Impact of Agriculture in the Southern Albuquerque, New Mexico Metropolitan Area*. Retrieved from <http://aces.nmsu.edu/pubs/research/economics/RR785/welcome.html>.