News Release

Farm Credit Administration
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FCA board chairman recognizes FarmStart as a best practice in serving young, beginning, and small farmers and ranchers

McLEAN, Va., March 12, 2021 — In a statement at a meeting yesterday of the Farm Credit Administration board, FCA Board Chairman and CEO Glen Smith recognized FarmStart as a best practice in serving the credit needs of young, beginning, and small (YBS) farmers and ranchers.

FarmStart is a limited-liability partnership established in 2005 by Farm Credit System association First Pioneer (now known as Farm Credit East). Its purpose is to invest in startup farming operations in order to furnish them with working capital. It provides seed money to farmers who have good business plans but do not meet the underwriting standards for traditional loans.

By law, System institutions are required to have programs to meet the need of YBS farmers for credit and related services. These programs often feature more flexible underwriting standards for YBS borrowers since many of them would not qualify for credit otherwise.

At the board meeting yesterday, the FCA board approved a request by Farm Credit East to increase its $2 million capital contribution to FarmStart to $4 million. The investment was approved under FCA's investment regulation 615.5140(e). This would qualify as a "mission-related investment" under FCA regulations.

"FarmStart represents one of the best practices for YBS," Chairman Smith said, "and Farm Credit East is to be commended for its part in providing an example and model for the rest of the System."

FarmStart invests up to $75,000 in startup farms where the operators do not qualify for System loans even under the more flexible underwriting standards that the System uses for YBS farmers and ranchers. To qualify for the FarmStart program, farmers must be in the first three years of operation with at least two years of experience in agriculture.

In addition to working capital, FarmStart provides guidance in the form of an adviser who works with the farmer to adopt good financial management practices, such as budgeting, benchmarking, and analysis of capital spending plans.

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FarmStart is a five-year program where the farmer either graduates to another source of financing or the investment is charged off. The borrowing population served by FarmStart by its nature involves more risk.

“All credit involves some risk,” said Chairman Smith. “But I can think of no better place to take risk than a mission-related investment in future generations of agriculturalists.”

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