



May 22, 2019

Mr. Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Advance Notice of Proposed Rulemaking – Young, Beginning, and Small Farmers and Ranchers– RIN 3052-AD32/ Federal Register 84, No. 35 (February 21, 2019)

The Farm Credit Council (Council), on behalf of its membership, appreciates the opportunity to comment on the Farm Credit Administration’s (FCA) Advance Notice of Proposed Rulemaking published in the February 21, 2019 Federal Register (Advance Notice) addressing issues associated with the collection and reporting of data from the Farm Credit System (FCS or System) with respect to service to young, beginning and small (YBS) farmers, ranchers and producers or harvesters of aquatic products (YBS Farmers).

The comments that follow were developed after soliciting input from all System institutions. Due to the significance of this proposed rulemaking to each bank and association, we anticipate that many System institutions will submit their own comments on various aspects of the Proposed Rule.

General Comments

The System is proud of its long-standing, continuing commitment to serve all credit worthy farmers. We are equally proud of our outreach efforts to YBS farmers, and prospective YBS farmers. These outreach efforts are not limited to only current or prospective customers of the FCS; many programs are directed toward YBS farmers in general. The System cooperates with other agricultural organizations and trade associations in numerous programs at the national, district and local level that encourage and educate YBS farmers, with no requirement of a loan from FCS.

FCS strongly supports reporting current, accurate, and meaningful information regarding its YBS lending activities. We believe that the current categories of reporting are meaningful and consistent with the Farm Credit Act. We also believe that the current regulatory requirements are sufficient, but would support some revisions to the FCA Bookletter (BL-040 Revised) that addresses this topic. We note from the Federal Farm Credit Banks Funding Corporation Annual Information Statements that the System’s new lending to YBS customers is a significant portion of new loan activity each year. For example, in 2018 over 50% of all loans (by number) were made to small farmers – those with less than \$250,000 gross farm sales – which is illustrative of our long standing commitment to YBS Farmers.

In analyzing YBS performance, the focus, as stated in the Farm Credit Act, should be on progress toward program objectives and the goals developed in accordance with existing FCA regulations. However, we understand that reporting of quantitative data will also remain important. FCA’s current reporting requirements detailed in the Bookletter are generally appropriate and should not be materially amended or further regulated. Any increase in reporting requirements will only divert

from the need to emphasize qualitative information and achievement of YBS goals. New reporting buckets would create a programming and administrative burden with minimal benefit. Instead, we believe the analysis and reporting should continue to emphasize progress toward goals in each of the three individual categories since they are all very different. Combining the numbers could be misleading. The current regulatory framework and reporting instructions provide meaningful information when combined with the qualitative supplemental information.

As the FCA is well aware, numbers do not tell the whole story. We appreciate the efforts by the FCA Board and staff to visit with System associations and observe the variety of “qualitative” programs that FCS either provides directly or in coordination with other agricultural institutions. Many of those programs are not limited to FCS customers, but rather to any interested YBS farmers, some of whom do not have credit needs, or who obtain credit from other sources. The number of credit worthy YBS farmers (or potential farmers) interested in entering the market, or taking on debt (and in particular, debt from a “conventional” lender) can vary considerably from year to year. Moreover, almost all YBS farmers rely on some form of off farm income to support their family living needs. These customers typically have established, convenient relationships with other commercial lenders.

Question by Question Comments

1. Should loans continue to be reported in all the existing categories in which they fit?

Yes. The System believes loans should continue to be reported in all the categories in which they fit. As submitted, the data clearly discloses that a customer may be reported in more than one category and that combining the numbers is not meaningful. We recognize the FCA’s preference to identify YBS customers/loans without the double counting in the current system, but we are not convinced the added complexity in the proposal would improve understanding of the programs designed to serve young, beginning or small farmers. If the FCA decides to add expanded reporting, we would ask that you provide sufficient time to complete program changes.

2. When reporting YBS Farmer program performance, which would be more useful, a focus on the dollar volume of loans, the number of loans, the number of YBS Farmers that received credit and services, a combination of these, or all?

We believe that when analyzing the YBS data the “focus” should actually be on whether the market is being served, and neither the dollar amount nor the number of customers should be the primary consideration. That said, we believe that reporting should include the number and amount of “new loans” (new originations and renewals of operating loan and other revolving line of credit commitments) to YBS Farmers. Identifying services to YBS Farmers who are not borrowers is difficult and is sufficiently covered in the qualitative discussion of services provided.

3. Under FCA’s regulations, the term “services” as used in section 4.19(a) of the Act, includes leases and related services made by System banks and direct lender associations under titles I or II authorities. As such, how appropriate is it for lease activity to be reported for YBS purposes?

We support including YBS Farmers receiving leases to be included in the volume and count of customers being served. System institutions are not currently required to track YBS information

for leases, so this change would require some time and effort to accumulate. We would support adding this information on a going-forward basis.

4. What additional elements or measurements would be useful in determining the FCS's compliance with and mission performance under Section 4.19 of the Act and FCA regulations at 12 C.F.R. 614. 4165?

We believe that all System institutions are actively engaged in efforts to serve all eligible, credit worthy customers including YBS farmers. We believe our quantitative results have demonstrated that commitment on a sustained basis. At the same time, there are a variety of factors that can impact results. Therefore, a more holistic analysis of both the quantitative results and the qualitative programs is required. The focus needs to be on the association's efforts to serve its market, and specifically the YBS segment.

5. What are ways Institutions could pool resources to ensure all eligible YBS Farmers are being served?

Either on a System wide basis or through collaboration by several associations, FCS conducts or sponsors a variety of programs. Some of these involve cross-territory marketing or outreach programs and the actual sharing of credit risk through participation interests. The more "qualitative" activities are included in the reports submitted annually by associations.

6. In what ways could Institutions use investment authorities to assist YBS Farmers, and should such investments be reported separately from YBS Farmer loan data?

The existing FCA regulations do not contemplate the use of investment authorities to support YBS lending. In theory, an association could submit a "case by case" request to make a particular investment. FCA should provide specific direction as to requirements for such investments. As investments, they should not be included with loan data for reporting purposes.

Definitions of Key Terms Associated with YBS Farmer Data

The following addresses questions 7 through 23 more generally:

We are supportive of the current definitions of young, beginning farmers. We note that the USDA has increased its threshold for small farmers to \$350 thousand in sales. We see value in lining up this definition with USDA, but recognize that trend data will need to be footnoted and explained.

We believe that the reported YBS category should be determined at the date of the loan closing based on the legal signatories on the note or as a guarantor. For legal entities or minority interests in organizations, the focus should still be on the legal obligors of the debt, or when the YBS farmer(s) have in excess of a 5 percent beneficial interest in the entity. This is the clearest indication of YBS lending activity. That designation should continue until the loan is repaid, renewed or otherwise resolved. As previously stated, any analysis should focus on new loans and renewals to understand current activity in the market.

Conclusion

The System supports a strong, proactive program to serve YBS farmers. We are proud of our commitment to these farmers as demonstrated consistently on both qualitative as well as quantitative grounds. As we review both the questions in this ANPRM, as well as our responses, we are unaware of any need to make further regulatory changes. The definitions and reporting

requirements are included in FCA's Bookletter (BL-040 Revised). That guidance remains as a flexible way to address any changes in reporting requirements and can be updated as necessary, including increasing the dollar threshold for small farmers to \$350,000. We thank you for the opportunity to comment and trust that our comments, as well as those submitted by System institutions, will assist the Agency. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Dana".

Charles Dana, General Counsel
Farm Credit Council