



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 (February 21, 2019)

Dear Mr. Mardock:

Northwest Farm Credit Services (Northwest FCS) appreciates the opportunity to comment on the Farm Credit Administration's (FCA) proposed rule regarding Young, Beginning, and Small Farmers and Ranchers.

Reporting of YBS Farmer Data

1. Should loans continue to be reported in all the existing categories in which they fit? Alternatively, should loans be reported in seven mutually exclusive categories: young; beginning; small; young and small; young and beginning; beginning and small; and young, beginning, and small?
Northwest FCS recognizes value in using consistent reporting methodology over time. While reporting seven mutually exclusive categories would yield the most technically accurate representation of YBS lending, Northwest FCS would only support this change if it does not produce negative public perception or reputation implications.
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?
Northwest FCS recommends using all of the above when reporting YBS Farmer program performance.
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? Should leases and services be reported together with or separately from loans?
Currently Northwest FCS does not have any lease activity to report in the YBS loan portfolio and does not have a recommendation as to how appropriate it is for lease activity to be reported for YBS purposes. Northwest FCS recommends lease and crop insurance be reported separately from loans when reporting the total number of YBS producers.
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?
Northwest FCS has no recommendation at this time for additional elements or measurements.



5. What are ways Institutions could pool resources to ensure all eligible YBS Farmers are being served?
Northwest FCS believes it is the responsibility of the institutions to work amongst themselves to pool resources to ensure all eligible YBS Farmers are being served.
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?
Northwest FCS has no recommendation at this time.

Definitions of Key Terms Associated with YBS Farmer Data

7. Given the trends in the average age of farmers, ranches, and aquatic operators and the transfer of operations from one generation to the next, does the current age limit remain appropriate? If not what would be a more meaningful age threshold for a “young” farmer and why?
Based on young farmers returning to the farm after non-farm careers and later succession from family members, along with non-traditional producers entering agricultural at a later age, Northwest FCS believes the young farmer age should be considered 40 years or younger.
8. Should the young farmer designation change for a borrower’s outstanding loans once they age beyond the threshold?
Northwest FCS recognizes value in using consistent reporting methodology over time. Northwest FCS would support YBS reporting based on an annual evaluation of the borrower’s eligibility as a young farmer rather than the life of the loan so long as this change does not produce negative public perception or reputation implications.
9. What additional clarification is needed on who qualifies as a young farmer? For example, should the following criteria apply to the determination of whether a person is a young farmer and to what extent?
 - a. Ownership in the agricultural operation or aquatic operation.
 - b. Ownership of agricultural land only.
 - c. Financial control in the agricultural or aquatic operation.
 - d. Exposure to production risk in the agricultural or aquatic operation.Northwest FCS recommends considering all of the above criteria when determining qualification as a young farmer. Northwest FCS also recommends considering “ownership and involvement in the agricultural operation or aquatic operation”.
10. Is the 10- year threshold still appropriate and if not what would be the appropriate threshold and why?
Northwest FCS believes the 10-year threshold for a beginning farmer threshold is still appropriate.
11. Should the beginning farmer designation change for a borrower’s outstanding loans once the years of experience exceed the threshold?
Northwest FCS recognizes value in using consistent reporting methodology over time. Northwest FCS would support YBS reporting based on an annual evaluation of borrower’s eligibility as a beginning farmer rather than the life of the loan so long as this change does not produce negative public perception or reputation implications.

12. What additional clarification is needed on who qualifies as a beginning farmer? For example, should the following criteria apply to the determination of whether a person is a beginning farmer and to what extent?
- Ownership in the agricultural or aquatic operation?
 - Ownership of agricultural land only.
 - Financial control in the agricultural or aquatic operation.
 - Exposure to production risk in the agricultural or aquatic operation.

Northwest FCS recommends considering all of the above criteria when determining qualification as a beginning farmer. Northwest FCS also recommends considering “ownership and involvement in the agricultural operation or aquatic operation”.

13. What criteria should the FCS consider in determining whether to maintaining or change the \$250,000 threshold? For examples, should we consider thresholds adopted by other government agencies for the definition of small farmers?

Northwest FCS recommends utilizing the USDA benchmark currently set at \$350,000.

14. Would it be appropriate to index or benchmark the economic measure used at specified points in the future to ensure the threshold is current and a reasonable measure? If so, what would be an appropriate interval and benchmark?

Northwest FCS recommends using the USDA’s definition of Small Family Farms as an index and reevaluating every five years with the Census of Agriculture data release to ensure the threshold is current.

15. Should the terminology “normally generate” be more clearly defined for reporting purposes? Would a multi-year median or an Olympic average be a more meaningful measure?

Northwest FCS does not see a need for further definition in this area. Northwest does not recommend using a multi-year median or Olympic average due to the added measurement complexities this would create.

16. Should the measurements for farm or aquatic income reflect a more stable metric compared to the current measure of annual gross sales of agricultural products?

Northwest FCS recommends the continuation of annual gross sales of agricultural products to measure farm and aquatic income.

17. Should a borrower be considered a small farmer if:
- They have not yet generated agricultural or aquatic income?
 - They only own agricultural land and no agricultural income is produced?

Yes, if the above criteria apply, the borrower should be considered a small farmer.

18. Should there be a time period established over which no agricultural or aquatic income is generate that would disqualify the classification of a “small farmer” from continuing?

No, Northwest FCS does not recommend a time period be established.

19. Should the small farmer designation change for a borrowers outstanding loans if they grow beyond the threshold?

Northwest FCS recognizes value in using consistent reporting methodology over time.

Northwest FCS would support YBS reporting based on an annual evaluation of borrower’s



eligibility as a small farmer rather than the life of the loan so long as this change does not produce negative public perception or reputation implications.

20. Should the small farmer measure account for such items as amount of acreage farmed as well as the production value generated?

Northwest FCS recommends no change to the current process.

21. What family connections among individuals who own/operate an entity should be considered to determine whether the entity meets the age or years of experience thresholds.

Northwest FCS recommends no change to the current process.

22. With respect to farming and ranching and aquatic operations performed through legal entities:

- a. What young or beginning farmer ownership thresholds should be used to determine that an operation is a young or beginning farmer?
- b. How should the percentage of ownership in the entity by individuals that meet the requirements for a young or beginning farmer affect the threshold?
- c. If a single person's ownership share is not sufficient to meet the threshold should more than one person be allowed to jointly meet the threshold?
- d. What if any, overall income threshold should be considered for an entity to be classified as a young or beginning farmer?

Northwest FCS recommends evaluation of ownership at an individual level and be defined as ownership and involvement, regardless of income.

23. In determining whether an entity is a young or beginning farmer, over what minimum time period should the Agency provide for an association to make the determination or should determination be made at a specific point, for example at the time the loan is applied for or closed?

Northwest FCS recommends no change to the current process. Determination should be made at the time of loan application and reevaluated annually to evaluate eligibility.

Thank you for allowing Northwest FCS the opportunity to comment on this important Advanced Notice of Proposed Rulemaking. We find this topic to be of the utmost importance and look forward to working with the FCA to continue to meet the needs of Young, Beginning, and Small Farmers and Ranchers. Please contact Colton Telford at (509) 340-5349 or email him at Colton.Telford@northwestfcs.com if you wish to discuss our comments.

Respectfully submitted,

A handwritten signature in black ink that reads "Bill Perry".

Bill Perry

Executive Vice President- Lending and Insurance