

May 22, 2019

Mr. Barry 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 Farmer and Ranchers – RIN 3052-AD32/ Federal Register 84, No. 35 (February 21, 2019)

ArborOne, ACA (“ArborOne”) appreciates the opportunity to submit comments to the Farm Credit Administration (FCA) in response to the notice published in the Federal Register on February 21, 2019, requesting comments on the Advance Notice of Proposed Rulemaking for Young, Beginning, and Small Farmers and Ranchers (ANPR YBS). ArborOne has a vested interest to ensure the System remains focused on this group of potential borrowers so they may have a prosperous future in agriculture. This includes exploring changes to guidance to be aligned with the current agricultural climate and to fit the borrowers’ needs. In that regard, we believe the Young, Beginning, and Small Farmers and Ranchers (YBS) regulations in their current state continue to serve this purpose. Similar to FCA’s opinion on YBS in the 2004 Final Rule to 12 CFR Parts 614, 620, and 630, we too believe Congress intended YBS programs to be developed by System lenders who know their territories. Therefore, the YBS regulation was developed to allow each lender association maximum flexibility in creating a YBS program that takes into consideration the economy and demographics of its territory, as well as its risk-bearing capacity. The current YBS rule is consistent with congressional intent to allow each lending institution to design a YBS program that best fits the needs of its lending territory. As such, we do not believe changes to the YBS regulations are necessary at this time.

Despite the opinion that the YBS regulations do not need to change, ArborOne does support updates and clarifications to YBS reporting to ensure standardization of YBS data across the System. FCA can accomplish this with continued flexibility by crafting further YBS guidance in the form of bookletters, informational memorandums, and exam manual guidance rather than a rule. Additionally, giving further guidance in this manner continues the ordinary process to which the System is accustomed. ArborOne requests that all guidance or changes apply only to future loans after the effective date, rather than retroactively, to allow for proper application and administration of the guidance.

ArborOne would also like to indicate its general support of the Farm Credit Council’s comments on the ANPR YBS which address several important additional concerns not addressed in this letter.

Question by Question

SMALL FARMER –

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?

Generally, we support a combination of all of these measures. This would be the best way to take a comprehensive look at the effectiveness of YBS programs.

4. What additional elements or measurements would be useful in determining the FCS' compliance with and mission performance under section 4.19 of the Act and FCA Regulations at 12 CFR 614.4165?

The current reporting requirements provide acceptable measurements to determine compliance with the Act and regulation.

7. Given the trends in the average age of farmers, ranchers, 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?

We support the continuation of the age of 35 definition for “young.”

8. Should the young farmer designation change for a borrower's outstanding loans once they age beyond the threshold?

We believe the young farmer designation (as well as the beginning and small designations) should remain static for the life of the loan. Requirements to modify this designation on existing loans once a farmer ages beyond the threshold would result in unnecessary administrative burdens and may present data integrity issues. Also, modifying the designation would potentially understate a System institution's YBS lending activities.

BEGINNING FARMER –

10. Is the 10-year threshold still appropriate, and if not, what would be an appropriate threshold and why?

We support the 10-year threshold and believe that it is the appropriate threshold for a beginning farmer/rancher.

SMALL FARMER –

13. What criteria should FCA consider in determining whether to maintain or change the \$250,000 threshold? For example, should we consider thresholds adopted by other government agencies for their definition of “small” farmers?

We support raising the dollar amount regarding the definition of small farmer to at least \$350,000 given the current economic conditions, costs of production, prices of commodities, and family living expenses. Furthermore, we support FCA considering adopting thresholds that are consistent with other government agencies.

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

We support a borrower being considered a small farmer for both questions if there is an intent or potential to produce. It is common for small farmers to not have established agricultural production and income in the first year, but it is important to support these situations if the borrower is eligible and credit worthy.

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

No. Production value generated is an adequate measurement. Acreage designation would add unnecessary complexity to make a small farmer determination.

Conclusion

In agreement with the comment letter from the Farm Credit Council and the AgFirst District letter, ArborOne strongly supports a solid, proactive program to serve YBS farmers. The AgFirst District is proud of its commitment to YBS farmers, and understands the need to update guidance to continue this commitment.

We respectfully ask that FCA consider ArborOne’s and other District comments and recommendations to not change the YBS regulations, but rather update guidance accordingly. We trust that our comments and others received from around the System will assist FCA, and are also willing to participate in a FCS workgroup to assist with this endeavor. Again, we thank you very sincerely for the opportunity to constructively comment on this Advance Notice of Proposed Rulemaking for YBS Farmers and Ranchers.

Respectfully submitted,

ArborOne, ACA



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