May 22, 2019

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Farm Credit Administration
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RE: Advance Notice of Proposed Rulemaking on Farm Credit Administration Oversight on Young, Beginning, and Small Farmer Data (FR Docket FCA-2019-0007)

Date: May 22, 2019

POC: Erin Foster West, Federal Policy Director

The National Young Farmers Coalition appreciates the opportunity to submit comments on the Farm Credit Administration's Advance Notice of Proposed Rulemaking regarding Farm Credit System's lending to Young, Beginning and Small Borrowers (YBS), as requested in the Federal Register Vol. 84, No. 35 on February 21, 2019 (RIN 3052-AD32).

About the National Young Farmers Coalition

The National Young Farmers Coalition (Young Farmers) is a national advocacy network that represents, mobilizes, and engages young farmers and ranchers to ensure their success. With the goal of helping 25,000 young people enter into viable farming careers by 2022, we tackle the most critical structural and economic issues that prevent motivated young people from starting and growing farm businesses.

Since 2010, the Coalition has launched 43 farmer-led chapters in 29 states across the country. We help young farmers become leaders in their communities through local chapter organizing, ensuring they have a seat at the table in local, state and national policy decisions. In short, we are young farmers fighting for the future of American agriculture.

Our network is made up of primarily young, beginning, and small and mid-sized producers, as well as socially disadvantaged farmers and other underserved farmers. Due to our membership, we understand the importance credit plays in supporting the next generation of farmers, as well as the many challenges these producers face in accessing credit. In fact, shortly after our formation, Young Farmers recommended USDA create a micro-lending program to address the lack of accessible credit for young farmers. The following year, FSA created Direct Farm Operating Microloans to specifically address young and beginning farmer credit needs, including a faster application process and more flexible payment terms.

While we commend Farm Credit Administration (FCA) on its dedication to ensure lending is available to YBS producers, it is difficult to understand the full scope of lending options used by YBS borrowers due to limited data and analytics. Thank you for taking this first step to address the issue. Young Farmers encourages FCA to begin implementation to improve transparency and accountability as soon as possible to ensure FCS remains committed to meeting its mission of supporting YBS farmers. We thank you for this opportunity to provide recommendations and for your serious consideration of the recommendations included below. We look forward to working with you in this rule-making related to YBS lending, as well as future efforts to improve access and accountability to the Farm Credit System.

Recommendations

1. Continue to collect data and report on lending to Young, Beginning, and Small Producers (Question 1).

In authorizing the Farm Credit System (FCS), Congress has also mandated that it serve young, beginning, and small farmers. Access to credit is still a challenge for these farmers and ranchers. In a 2017 national survey by Young Farmers (3500 respondents), aspiring young farmers cited lack of credit as one of the top four barriers that has prevented them from entering into agricultural professions. Additionally, current farmers also reported it as one of their top ten most significant challenges to farming or ranching. Therefore, continued reporting on lending to each category of young, beginning, and small producers is paramount to ensure that access to credit does not continue to be a barrier to these producers.

There is also room for improvement in how FCA collects and reports YBS data, in order to better allow for more reliable aggregation of lending data across each category. Many young farmers are beginning farmers and are starting out on small operations, as well. However, in FCS accounting of YBS borrowers, an individual falling into all three categories would be counted and reported in all three categories. If those data are aggregated, that farmer would inaccurately be counted as three unique borrowers. There is no way to aggregate the combined number of YBS borrowers (and therefore, loan numbers or volume). Reporting that allowed for valid aggregation would allow for further analysis into the number of YBS individuals being served by FCS institutions, as well as the portion of FCS lending going to YBS borrowers.

Young Farmers commends FCA for recognizing this issue of potential double-counting and lack of transparency regarding FCS lending trends to YBS borrowers as a whole. We encourage FCA to identify technological and systems improvements to increase tracking and reporting on individual borrowers who fit into multiple categories (thereby improving reporting on the three existing YBS categories). For example, it should be possible to identify each unique borrower and select which categories apply and simply report the total number of borrowers who fall within the 3 categories, and any combination of the 3 – without double-counting those borrowers who fall into two or more categories when the data are aggregated.

However, we recognize that an IT solution may take time and resources to implement. If FCA does not have the capacity to implement an IT solution in the short-term, we encourage FCA to adopt the seven proposed categories in the Advanced Notice of Proposed Rulemaking, while working towards a longer-term solution with more flexibility and reporting capabilities. Whichever improvements are introduced in the short-term improve tracking, it is important for FCS institutions to be able to report unique, aggregate numbers for all the three YBS categories, individually and in combination, to allow continued comparison of trend data both across FCS lending over time as well as comparison to data collected by USDA across these categories.

2. Continue to collect metrics on borrowers, loans, and loan volume, and also include reporting on outreach activities to target these producers as well as other historically underserved producers (Question 2 and 4).

Additionally, we recommend that FCS institutions continue to collect and report annually on the total loan volume of YBS loans (both new and outstanding), the number of YBS loans (both new and outstanding), and the number of YBS borrowers (both new and outstanding) who receive credit in any given year. Each of these measures are important and reveal different insight into the borrowing needs of YBS producers. Since one borrower could take out multiple loans, it is important to count the number of borrowers, as well as the number of loans.

FCS should take the differences in these measures into account when developing an IT solution to data collection and reporting. This will require coordination between the FCS institutions and FCA. For example, if the same farm or borrower receives a loan from two separate FCS institutions, FCS should not count these two loans as two separate borrowers. Instead, it should count as two YBS loans, but one YBS borrower. This approach will also provide additional insight into the total credit need of YBS borrowers by eliminating potential double-counting. Reporting should include the number of loans, borrowers, and loan volumes, as well as the total proportion of loans and dollars in lending going to YBS producers.

To ensure FCS is meeting the targets to serve YBS producers, the institutions should regularly conduct outreach to these populations, as well as other underserved populations. We recommend that FCA encourage institutions to develop outreach plans and report back to FCA on the implementation of those plans. Lenders should be encouraging participation in lending programs in YBS producers as well as women, socially disadvantaged, and veteran farmers and ranchers, as well.

3. Maintain current definitions of Young and Beginning Producer (Questions 7 and 10).

To allow for analyzing trends, as well as ensuring consistency with USDA definitions, we recommend FCA maintain existing definitions for “young” and “beginning” farmers. Currently, FCA defines a beginning farmer as one with 10 years or less of farming, and a young farmer as someone who is 35 or younger.

In addition to maintaining consistency within FCS reporting, these definitions are also consistent with standard USDA definitions. In most programs at USDA, a beginning farmer is defined as a farmer who has ten years or fewer on a farming operation, which would allow for tracking and comparisons with USDA programs. Similarly, USDA defines young farmers in the new 2017 Census of Agriculture as a farmer of 35 years of age or younger, and for the first time, provides specific data on this demographic of farmers. We would therefore urge FCA to maintain the current definitions across both of these categories and maintain consistency with USDA definitions.

4. Producers should be qualified as young and beginning if they have exposure to production risk, but not be required to own land, own the business, or have financial control over the operation (Question 9 and 12).

In the 2017 survey by Young Farmers, accessing farmland was the top challenges young farmers face in starting and operating a farm or ranch. While they may have a viable business, they may not own the land or have financial control over the business. Therefore, we urge FCA to include farmers in the young and beginning category even if they do not own land or the business.

However, in order to take out a loan, they should be responsible for some production risk, i.e. be making decisions on the farm-level on production, marketing, et. For example, a farm manager may take out the loan, but not own the land, the operation, or have financial control over it. Yet, they are making decisions and are “exposed to production risk.” An individual such as this should qualify in the YBS categories.

5. Update the definition of a small farmer to be consistent with the USDA definition (Question 13).

As trends evolve on farm size and structure, the definition of what a “small” farm is will need to change as well. Several other federal agencies have responded to this changing trend in the structure of agriculture and size of farms by updating their definitions of what is considered a small farm. In 2013 USDA’s Economic Research Service (ERS) updated its farm classifications based on sales to include farms that have less than $350,000 in Gross Cash Farm Income (GCFI) to be defined as “Small Family Farms.” Similarly, USDA’s National Agricultural Statistics Service (NASS) used this same definition when reporting economic classes of farms based on data from the 2012 Census of Agriculture, as well as the newly released 2017 Census. Both ERS and NASS base their sales classes and small farm designations on Gross Cash Farm Income (which includes sales of crops and livestock, government payments, and other farm-related income), whereas the FCS simply utilizes annual gross sales of agricultural products in determining eligibility as a “Small Farmer”.

We recommend that FCA utilize the same measures as USDA and define a small farm as one that makes less than $350,000 in GCFI. Young Farmers recognizes that changing any definition will make it more difficult to compare trends over time, at least initially. We would therefore encourage FCA to work closely with USDA to ensure consistency in both the measure used (Gross Cash Farm Income versus gross sales) and the sales threshold.

6. Build in flexibility in the definition of a small farmer to allow beginning producers with no farm income to qualify (Question 17).

While a small farmer should have income to be counted as a farmer, Young Farmers encourages FCA to build in some flexibility to counting small farms with no income. A beginning farmer may have no income in their first year or two, especially within specific production operations such as livestock or orchards. Additionally, it is possible that a producer may have a total crop or animal loss due to a natural disaster or severe weather. A new farmer, or farmer transitioning to organic certification, may also plant fields in cover crops to build up a health soil for future planting. These farmers may have two to three years of no agricultural sales.

While most of these producers should be able to demonstrate some income, however small, we encourage FCA to be flexible in accounting for income. In the case of a beginning producer or a producer using cover crops, we suggest that FCS examine income projections that demonstrate sales within a few years of the farm being established. In the case of a weather event, some producers will have income through crop insurance or other risk management options through USDA. However, in the event that a producer has total crop loss and no government payments, we would encourage FCA to define a small farmer as small if they can demonstrate farm expenses and fell within the definition the previous year.