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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)

Farm Credit of Northwest Florida, ACA (FCNWF) 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). FCNWF has a vested interest to ensure the Farm Credit System (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. We believe the current YBS rule is relevant today and consistent with congressional intent to allow each lending institution to design a YBS program best fitting 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 YBS regulations do not need to change, FCNWF 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. FCNWF believes all guidance or changes should apply only to future loans after the effective date, rather than retroactively, to allow for proper application and administration of the guidance.

FCNWF also indicates 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 –

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?

FCNWF has no strong preference as to this reporting option, though this should be applied proactively to allow for proper documentation and data collection.

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.

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?

FCNWF has no strong preference on this question.

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 regulations.

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

FCNWF believes each system institution should be allowed to form partnerships and pool resources as it best determines to meet the needs of their territory and fulfill the goals of its YBS Program without specification or requirements at a district or regulatory level.

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?

FCNWF has no specific input regarding the use of investment authorities to assist YBS Farmers.

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 as 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 classification should stay for the life of the loan. This not only accurately represents the loan offering made to this farmer at a crucial time in their farming lifecycle, but also reflects the fact many of these loans are made with specific program inducements such as lowered fees and pricing which remain after the farmer has “aged out” of the classification. Changing designations could also present significant system limitations and would be burdensome to administer.

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 or aquatic operation.
- b. Ownership of agriculture land only.
- c. Financial control in the agricultural or aquatic operation.
- d. Exposure to production risk in the agricultural or aquatic operation.

FCNWF believes the current criteria for designating a “young” farmer is adequate and layering significant additional ownership or control tests would be potentially more burdensome for very little benefit to YBS reporting.

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 it is the appropriate threshold for a beginning farmer/rancher.

11. Should the beginning farmer designation change for a borrower’s outstanding loans once the years of experience exceed the threshold?

No, for the same reason expressed in answering Question 8 relative to “young” farmers/ranchers.

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:

- a. **Ownership in the agricultural or aquatic operation.**
- b. **Ownership of agriculture land only.**
- c. **Financial control in the agricultural or aquatic operation.**
- d. **Exposure to production risk in the agricultural or aquatic operation.**

FCNWF believes the current criteria for designating a “beginning” farmer is adequate and layering significant additional ownership, control or production risk tests would be potentially more burdensome for very little benefit to YBS reporting.

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 consistent with other government agencies.

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?

FCNWF has no strong preference on this question.

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

FCNWF has no strong preference on this question.

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

FCNWF has no strong preference on this question.

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 early years of their operation, but it is important to support these situations if the borrower is eligible and credit worthy.

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

Due to the diversity of income cycles for different commodities (as an example, timber) the Association does not believe borrowers should be disqualified from the “small” farmer classification.

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

No, for the same reason expressed in answering Question 8 relative to “young” farmers/ranchers.

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 while providing limited value to the YBS reporting for Associations or the System as a whole.

OTHER REPORTING DEFINITIONS – MATERIAL OWNERSHIP AND CLOSELY HELD ENTITY – DETERMINING WHETHER AN ENTITY IS A YOUNG OR BEGINNING FARMER –

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?

FCNWF has no strong preference regarding this criterion provided it is provided with adequate clarity to support staff determinations.

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

What young or beginning farmer ownership thresholds should be used to determine that an operation/entity is a young or beginning farmer?

- a. **How should the percentage of ownership in the entity by individuals that meet the requirements for a young or beginning farmer affect the threshold?**
- b. **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?**
- c. **What, if any, overall income threshold should be considered for an entity to be classified as a young or beginning farmer?**

FCNWF has no strong preference regarding this criterion provided it is provided with adequate clarity to support staff determinations. We believe aggregating borrower data to reach a determination is appropriate.

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 the determination be made at a specific point, for example, at the time the loan is applied for or closed?

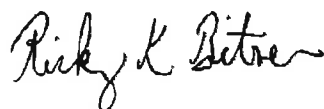
FCNWF believes at time of application would generally be appropriate for the determination with provision to document and support reasonable exceptions.

Conclusion

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

We respectfully ask FCA consider FCNWF and other District comments and recommendations to not change the YBS regulations, but rather update guidance accordingly. We trust 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 for the opportunity to constructively comment on this Advance Notice of Proposed Rulemaking for YBS Farmers and Ranchers.

Respectfully submitted,

A handwritten signature in black ink that reads "Rick K. Bitner". The signature is written in a cursive style with a prominent initial "R".

Rick Bitner
President/CEO, FCNWF