



FCS FINANCIAL

Growing Relationships. Creating Opportunities.™

A FARM CREDIT COOPERATIVE

August 15, 2022

Autumn R. Agans
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Comment on Proposed Young, Beginning and Small Farmer Proposed Rule –
12 CFR Parts 614 and 620 – RIN 3052-AD54; Loan Policies and Operations; 87 Federal
Register 36261-36264

Dear Ms. Agans:

FCS Financial (“FCS”) appreciates the opportunity to comment on the Farm Credit Administration’s (“FCA’s”) proposed rule regarding Young, Beginning and Small (“YBS”) activity as published in the Federal Register June 16, 2022 (the “Proposed Rule”). We appreciate the consideration by FCA of these comments.

The Farm Credit Council on behalf of the System, has submitted comments on the Proposed Rule. FCS Financial participated in the development of these comments and fully agrees with the issues raised and recommendations made in the System’s comment letter. This letter is in addition to the System’s comments and is intended to provide additional emphasis and clarification on specific concerns with the Proposed Rule while proudly highlighting FCS Financial’s existing programs to support YBS borrowers.

FCS is fully committed to the strategic mission of serving YBS borrowers, including future YBS borrowers. These borrowers represent the future of agriculture, and we are fully share in FCA’s vision of meeting the unique needs of YBS borrowers. To that end we have established programs to furnish sound and constructive credit and related services to YBS farmers and ranchers and have developed education and outreach programs to assist YBS borrowers to enhance their knowledge of business and financial operations.

Programs Benefitting YBS Borrowers

FCS Financial’s support of YBS borrowers includes a diverse group of programs designed to help ensure the future viability of agriculture. FCS has invested significant capital and resource to meet the unique and evolving needs of YBS borrowers. We actively seek new ways FCS can add value to YBS farmers and ranchers by collaborating with other Farm Credit associations, collaborating with other organizations that support existing and future YBS producers, and

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seeking input from YBS borrowers. These efforts are focused on helping YBS borrowers succeed in agriculture.

FCS is committed to serving YBS producers through lending and non-lending initiatives, a commitment that is consistently reinforced by the board of directors, leadership, and staff members of our cooperative. Due to the changing needs, makeup, and interests of our YBS producers, our work to support them is always evolving and flexible to make sure our outreach remains impactful. Our efforts can be generally summarized into two key areas: 1) direct support to YBS producers and 2) collaborations with others to support YBS producers. Below is a brief overview of these programs.

DIRECT SUPPORT

Lending

One of the key components of FCS Financial's support of YBS producers is our commitment to financing YBS borrowers. Our lending activity is routinely measured and reported to the FCS leadership team, the FCS board of directors and FCA. We continue to meet and exceed goals in this area for young, beginning, and small producers. At year-end 2021, FCS had extended credit to 397 *new* young farmer customers (99% of goal), 751 *new* beginning farmer customers (103% of goal), and 991 *new* small farmer customers (110% of goal). In addition to new YBS customers, FCS continues to serve a robust existing portfolio of YBS customers, that at year-end 2021, consisted of 3,476 young farmers (\$826 million loan volume), 5,262 beginning farmers (\$1,110 million loan volume), and 9,515 small farmers (\$1,670 million loan volume). All these numbers were at or above 100% of 2021 goal.

Fees & Grants

FCS Financial waives all FCS fees for a young or beginning farmer's first real estate loan. For new loans to young or beginning borrowers that require an FSA guarantee for which there is a fee charged, FCS reimburses the guarantee fee. FCS also provides education stipends to help YBS producers attend educational components of the YBS program.

Education

FCS Financial pursues many avenues to offer educational opportunities to YBS producers. The most intensive and comprehensive approach to this is FCS Financial's Connect Class program. The Connect Class was launched nearly a decade ago and continues to evolve based on feedback that comes directly from the YBS producers it serves. The Connect Class is an 18-month commitment from the YBS producers that accept the nomination into the program. Participants are identified by local branch offices and can be customers or non-customers. Local staff nominate YBS producers who have demonstrated a commitment to learning and furthering their business acumen, are ready for the in-depth level of content provided, and willing to commit to the 18-month program. Final class selections are made based on a strategy that allows for a diverse class makeup including geographical diversity, operation size and scope diversity, and producer makeup diversity. As appropriate, both the husband and wife are encouraged to attend the Connect classes to engage both partners of the operation equally.

Once in the program, the participants go through a series of educational meetings that focus on communication and leadership strategies, business and financial risk mitigation strategies, succession planning, marketing, and strategic planning. They are exposed to both internal FCS

subject matter experts and outside industry experts. Beyond the educational content, Connect Class participants are strategically given time to network with their peers, industry experts, FCS executive and senior level leadership, as well as FCS board members. The opportunities to foster these relationships regularly rank as one of the most impactful portions of the program. Participants are given an opportunity at the conclusion of the program to provide direct feedback which is used to adjust the program going forward. Including the current class which will complete their program in January 2023, this program has impacted 148 YBS producers.

To ensure that FCS Financial's educational reach goes beyond the in-depth Connect Class program, in 2018 FCS launched an annual Connect Ag Seminar. The Connect Ag Seminar typically hits capacity, which depending on the venue, can range from 100 – 150 participants. The day-long event focuses on strategic networking, business acumen, risk mitigation, financial soundness, challenges, and opportunities unique to YBS producers. This event is open to both customers and non-customers.

FCS Financial has more recently launched its annual Empowered Women, Empower Agriculture Ag Seminar. The 2021 inaugural event was a massive success, reaching capacity and receiving outstanding reviews from female producers, predominately falling into YBS qualifiers. This event was launched because data and feedback from YBS producers tells us that women are more apt to attend, engage and actively learn in an environment surrounded by other women. The content is similarly focused on business acumen, risk mitigation, financial soundness, opportunities, and challenges. Again, because of feedback from our producers, these events include strategic networking time.

FCS Financial offers a variety of other educational opportunities that are not specifically focused at YBS producers but will always have a notable amount of participation from YBS producers. These events range from other ag seminars, local education workshops, virtual webinar educational opportunities and the biennial FCS Financial Ag Symposium, an invitation only, intense two-day event created to engage the most progressive businessmen and women. All Connect Class graduates are invited to attend regardless of size of operation.

All FCS Financial educational events are offered free of charge to participants.

Representation

FCS Financial has taken a step in the direct service of YBS producers that has been very beneficial to the cooperative by creating a separate Stockholder Advisory Committee ("SAC") specifically for young, beginning, and small producers. Our SAC is made up of existing member-owners who provide direct feedback to FCS Financial leadership on at least an annual basis. Members serve a three-year term and provide both written and in-person feedback on a variety of issues that assist the FCS Financial board of directors and leadership ensure the cooperative is living its mission to serve. The separate YBS SAC was launched to ensure that the unique challenges of YBS producers are heard and considered. While the other in person meetings are geographically grouped, the YBS SAC membership pulls producers from all over the state and specifically seeks feedback from the perspective of YBS member-owners.

FCS also believes that it's important for legislators to hear the unique perspectives directly from actual YBS producers. To support that goal, FCS Financial includes YBS producers as part of the delegation that attends the Farm Credit Fly-In. Our team works with the YBS producers attending to help them share their stories directly with legislators in Washington, D.C.

Communication

YBS producers may have different communication preferences and needs. By eliciting feedback from both Connect participants and the YB SAC, FCS Financial ensures the Association communication is accessible in formats YBS producers prefer. This has evolved over time to include text message communication, enhanced social media presence including social media private groups for Connect Classes to further enhance networking opportunities, e-newsletters, and YouTube learning videos. As communication preferences within this group adjust, so will FCS Financial.

Youth In Ag

Especially in agriculture, education begins well before a person reaches adulthood. Because of this, FCS Financial is committed to serving youth in agriculture and has a robust and far-reaching impact in this space. Each year FCS Financial provides youth-in-ag grants that allow 4H and FFA members an opportunity to access cooperative capital at no charge for their projects. As part of the program, participants meet with a loan officer, provide a business plan including a "repayment plan" and return the cooperative capital at the conclusion of their project. This program was designed to develop business skills to assist in capital acquisition in the future.

FCS Financial also provides Shaping Rural Missouri Grants, which are cash grants to 4H and FFA clubs for community serving projects in rural communities. We have provided 455 Shaping Rural Missouri Grants totaling more than \$218,000. In addition, FCS provides scholarships, and support to both FFA and 4H at local, regional at state levels.

FCS Financial has independently funded the updating of Missouri high school and middle school agricultural curriculum to bring a much needed current and vibrant curriculum. The middle school curriculum is also accessible for homeschooled families through the Department of Secondary Education.

At a collegiate level, FCS Financial provides 35 scholarships each year to the children or grandchildren of FCS Financial member-owners. This program has assisted more than 600 students since its inception. FCS Financial also supports the 4-H Futures Scholarships for urban minority students pursuing a college degree, multiple scholarships through institutions and supports two Missouri college students attending the Ag Futures of American Leaders Conference, one of which is designated as a minority student.

Additionally, FCS Financial staff members give numerous presentations, assist with educational workshops and career and leadership development events throughout the year and throughout the Association's LSA.

IN COLLABORATION WITH OTHERS

FCS Financial believes that a strong commitment to serving YBS producers cannot be complete unless working in collaboration with others also serving YBS producers. Those collaboration efforts can be summarized in two key areas – Farm Credit System collaboration and industry collaboration.

Farm Credit System Collaboration

FCS Financial is actively engaged with an informal YBS collaboration group within the Agribank district comprised of multiple Farm Credit associations. The members of this group are the staff

members who are actively leading the YBS efforts on behalf of the Associations and engaged in the direct activities to support those YBS efforts. These individuals meet virtually every six weeks, and in-person once per year. The purpose of this collaboration is to idea share, brainstorm and provide a network of individuals who can connect on these initiatives. This collaboration, ongoing for the better part of a decade, has been key to the strength and success of the YBS programs at FCS Financial and other associations in the district.

That same collaboration group worked together in 2021 to launch the first of its kind, Peer to Peer pilot. This pilot program put YBS member-owners from each of the Associations together for a series of in-person and virtual meetings, to provide education and networking across Association lines. This opportunity was capstoned with participants attending the Farm Credit Fly-In in Washington, D.C. and another group will be launched in conjunction with the 2023 Fly-In.

FCS Financial also actively participates in FCC's YBS Conference, which typically occurs every-other-year. FCS Financial, along with Farm Credit Illinois, and the Farm Credit Council, hosted the last YBS Conference in St. Louis, Missouri. This conference brings together program leads, senior leadership and executives engaged in the YBS programs at their Associations for learning, brainstorming, and networking. Associations from across the System attend this event.

Agriculture Industry Collaboration:

FCS Financial actively supports and participates in other industry efforts within the state of Missouri to support our YBS producers. Those efforts range from sponsorships and donations to providing workshops and speakers and more. A few of those efforts are highlighted below.

FCS Financial is a President's Level sponsor of the Missouri Cattlemen with a sponsorship that provides assistance towards their leadership development programs for young producers, youth activities and educational sessions throughout the year.

FCS Financial supports the youth initiatives at the annual Missouri Pork Association conference.

FCS Financial is the main sponsor of the annual NRCS/USDA statewide women in ag conference, as well as up to a dozen or more regional/local women in ag events. FCS Financial staff members often serve on the planning committees of the events and host workshops on financial understanding, risk mitigation at these events.

FCS Financial provides the funding for a meal, business gift, and staff to assist at the Young Farmers summer tour each year. This tour, hosted by Department of Secondary Education's Young Farmers group, rotates around the state, and provides in-depth look at different farm operations and agribusinesses in the state. The goal of the tour is to showcase opportunities to young, beginning producers.

FCS Financial provides financial support to Missouri Farm Bureau's Young Farmers and Ranchers annual conference and provide a staff led educational workshop for participants. Numerous FCS Financial staff members participate in the conference to further engage attendees each year and often serve on the planning committee of the event.

Our cooperative actively supports the efforts of Missouri Extension by providing meeting space, promotional and awareness support, and overhead cost support for educational opportunities the organization is offering. As an example, Missouri Extension and Missouri Department of

Agriculture recently offered a series of 11 workshops focused on succession planning, targeting those operations that are preparing to bring the next generation to the farm or into management. FCS Financial provided the meals at all these events and assisted with promotion by using social media channels, our website and e-newsletter, and posting flyers in all branch offices.

As further evidence of FCS Financial's commitment to collaborating with industry partners, the Association is hosting a roundtable discussion this September to bring in organizational leaders from the ag industry across the state to discuss YBS outreach. The key objectives of this meeting are to analyze the current opportunities in the state for YBS producers, highlight ways in which the organizations can further support each other's efforts, and finally pinpoint any gaps in educational opportunities or producers being served.

Supporting YBS farmers and ranchers also must include educating others not directly involved in agricultural production to provide a better understanding of where their food, fuel and fiber comes from. FCS Financial is a founding member of Missouri Farmers Care (MFC) which is a collaboration of the agriculture industry leaders in Missouri. MFC's mission is to promote the continued growth of Missouri agriculture and agriculture communities. One of the flagship programs of MFC is **Ag Education on the Move**, a hands-on education program delivered in selected elementary schools to educate and inform students at an early age on agriculture.

Because of FCS Financial's commitment to collaboration, the cooperative is not only a leader in service to YBS producers but is effectively bolstering the efforts of dozens of other efforts around the state.

Customized, On-Going Support

FCS Financial's programs today provide robust support for YBS producers across the state of Missouri and for those who are serving YBS producers. The ways in which we provide that support is especially impactful due to the intentional and ongoing feedback solicited from our YBS producers, our ability to respond to the changing needs of YBS producers, and our fluidity and flexibility in the approach to service.

Proposed Rule Comments

As you can clearly see from the description of our efforts, FCS Financial has been proactive and very successful in supporting YBS farmers and ranchers. The Association's Board of Directors, executive leadership and staff have shown a willingness and commitment to serve all of agriculture, including YBS borrowers, and have spent considerable time, effort and resources to support future generations.

As such, FCS Financial believes the Proposed Rule would not achieve the rule's stated objectives and would negatively impact our efforts to serve YBS borrowers. While there are similarities among programs, each System lender has a unique, customized approach tailored to the needs of YBS producers in its lending area. The frank discussions at the YBS Forum in Fort Collins in March of this year ("Forum") made very clear that resources currently devoted to serving YBS customers would be diverted to comply with the rule if implemented as proposed.

Similarly, the Proposed Rule, and particularly the rating system that was not included in the rule, provides a strong incentive for lenders to optimize their YBS programs for higher ratings rather than the actual needs of YBS producers. For example, our lending service area is very diverse with a significant number of small, part-time producers. Contrast that with a neighboring

association with members who are much larger is scope and scale. These are very distinct markets with unique and differing requirements to meet the needs of YBS borrowers.

FCA, including Chairman Smith, has communicated the belief that the System institutions do a very good job fulfilling the mission to serve YBS borrowers. FCA's message at the Forum was essentially that the Proposed Rule is intended to cause System institutions to provide even better service to YBS borrowers. Improving compliance through thoughtful regulation when there are failures is relatively easy. Improving compliance in an environment of successful programs such as associations' YBS programs is very difficult and would likely result in negative unintended consequences. Many of these unintended consequences have been presaged by the very lenders having the best insight into the needs of the YBS borrowers in their respective lending areas. These likely consequences were communicated to FCA during the Forum and in the many comment letters FCA is likely receiving during the comment period.

Standalone Strategic YBS Plan and Bank Approval

The requirement to create an additional strategic plan separate and distinct from the inclusion of an association's YBS plan within its comprehensive business plan will result in significant additional administrative burden without providing any additional benefit. Significantly increased administrative expense would likely be incurred to prepare a separate strategic plan, timely coordinate approval of the plan with the funding bank, and satisfy additional reporting obligations. Furthermore, additional audit engagements around YBS would further distract and consume already limited resources. Required approval and coordination with the funding bank would limit existing collaboration and innovation that occurs throughout the entire system.

In addition, we do not believe the Banks have the knowledge and expertise of the differing markets within their territory to determine if the YBS plan would be effective. For example, AgriBank has 13 associations ranging from some of the smallest associations in Farm Credit to the 3 largest associations. Understanding each of these at the level necessary to determine if the association's YBS program is effective is challenging, at best, and likely leads to a one-size-fits-all approach which will make us less effective.

"Scored" Rating System

Elements of a rating system would create the unintended consequence of programs being designed, maintained and adjusted based on the 'score' achieved through the rating system rather than the effectiveness of the program or the needs of YBS borrowers. Rather than unique YBS programs that take the best from other programs and are specifically tailored to the needs of each association's YBS borrowers, a quantitative rating system can be expected to drive uniformity among YBS programs as associations seek to achieve the best "scores". Such a system can be expected to stifle innovation with associations adopting new programs only after they are pre-vetted and approved by FCA. It wrongly presupposes that FCA examiners rather than lending staff are in the best position to determine the needs of YBS borrowers and that those needs are uniform across the System.

Conclusion

FCS Financial is strongly committed to serving our YBS producers. Indeed, these borrowers are important to our business plan, our mission and our future. They are critical to our current and future success. We are proud of our programs and our success.

The rule, as proposed, would not accomplish FCA's well-meaning intentions of improving service to YBS producers. As noted above, we believe it would hinder rather than improve that service. The proposed quantitative rating system would create an incentive to serve the rating system rather than our YBS borrowers. The administrative resources to create and coordinate approval of a separate YBS plan on a specific timeline would result in significant additional administrative expense and resource requirements. FCS Financial is deeply concerned that the need for excessive planning and administration will interfere with substantive implementation of its YBS mission, all with the goal of improving programs that, by the Administration's own admission, are not broken.

In conclusion, we request FCA withdraw its Proposed Rule. We believe the existing framework provides the flexibility and accountability necessary to meet the needs of YBS borrowers. In the alternative, we request FCA consider the following adjustments to the Rule:

- Continue to allow YBS strategies and programs be included within the annual business plan to ensure consistency with the other components of the integrated business plan.
- Eliminate the requirements that funding banks approve YBS strategies.
- Eliminate the rating system to avoid the unintended consequences of misalignment with the YBS mission.

FCS Financial shares FCA's interest in supporting YBS producers. They are vital to the future of agriculture in the United States and the integrity of our food supply system.

We appreciate your consideration of the comments. Please contact FCS' General Counsel, John Bandy, at (573) 636-7809, if you have any questions about these comments or need additional information.

Sincerely,



Kenny Bergmann
Chairman



David D. Janish
Chief Executive Officer