



2600 Jenny Wren Trail
PO Box 810
Sun Prairie, WI 53590

P: (844) 426-6733
F: (507) 344-5144

compeer.com

August 15, 2022

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

Re: Notice of Proposed Rulemaking – 12 CFR Parts 614 and 620 – RIN 3052-AD54; *Loan Policies and Operations*; 87 Federal Register 36261-36266

Dear Ms. Agans:

Compeer Financial ("Compeer") appreciates the opportunity to comment on the Farm Credit Administration's ("FCA") Proposed Rule regarding Loan Policies and Operations specifically addressing Young, Beginning and Small activity that was published in the June 16, 2022 *Federal Register* (the "Proposed Rule").

Since our inception in July of 2017, Compeer has prioritized our efforts to serve Young, Beginning and Small ("YBS") producers as we strive to fulfill our mission to serve all of agriculture and rural America. We are fully aligned and share in FCA's vision to meet the unique needs of YBS borrowers and to establish programs to "furnish sound and constructive credit and related services to YBS farmers and ranchers." Like others across the System, Compeer is proud that a large percentage of our non-YBS clients began their relationship with Compeer when they began farming and did qualify as YBS farmers. Our association would like to highlight the efforts and successes of our YBS programs we have branded "Groundbreakers" as well as provide feedback on the proposed rule.

Groundbreakers Program Highlights

Groundbreakers special loan programs

In order to directly support our young, beginning and small farmers, Compeer Financial offers YBS-specific loan programs that allow for special pricing and underwriting criteria to ensure access to capital for these farmers. These loans may be eligible for below market interest rates (up to 75bp margin discounts depending on loan type) and relaxed underwriting guidelines. The Groundbreakers loan programs include:

- Starter Loan Program
- Finish Barn Loan Program
- Broiler Barn Loan Program
- Character Loan Program
- Special loan pricing for YBS farmers outside the above program

Compeer's Groundbreakers loan programs are continuously reviewed by our internal Groundbreakers Committee to ensure effectiveness of the loan programs. The Committee leverages feedback and input from the Groundbreakers Client Advisory Group (see below), as well as client needs, when considering changes to the programs.

As of year-end 2021, Compeer has provided \$9.3B in loan volume across over 44,000 loans to young, beginning and small farmers. This includes \$51.2MM in loan volume across 295 loans that has been provided at a discounted rate specifically through the Groundbreakers loan program.

Beginning with Compeer Grant Program

Compeer Financial offers a grant program for beginning farmers in order to help them develop their farm management skills, making them more credit-worthy borrowers and more successful business managers. Grant recipients must use the funds for farm management training and resources. Grant funds are available to farmers in Compeer's territory regardless of whether they are a Compeer client.

For the period of 2019 through 2021, Compeer awarded 229 grants for a total of \$206,630.

Groundbreaker Client Advisory Group

The purpose of the Groundbreakers Client Advisory Group ("Advisory Group") is to provide feedback on the Groundbreakers program, guide changes to meet client needs and help assess the effectiveness of the program. The Advisory Group provides feedback on the program in general, as well as on specific campaigns as needed.

The Advisory Group is made up of 20 client members from across the Compeer territory representing diversity across industries, demographics, experience and stage of their operation. Members serve 2-year terms and meet twice per year in-person and remotely as needed. Over the past several years, the committee was increased from 12 members to 20 and meetings have been expanded to include spouses/partners as well. These changes were made in large part based on Advisory Group input to bolster attendance, gather differing perspectives and to drive more value from the meetings.

Groundbreakers Conference

The Groundbreakers Conference is a 2-day event held annually in a central location(s) in the Compeer territory. The event is made up of expert keynote speakers and breakout sessions catering to topics important to young, beginning and small farmers. The conference is provided at no cost to young, beginning and small farmers, and session topics are strongly influenced by client feedback from conference attendees as well as the Advisory Group.

The conference has grown tremendously since the first territory-centric event held in 2019 (Milwaukee, WI). Based on client and attendee feedback in 2019, the 2020 conference was moved to two locations to accommodate diverse geographic locations. The 2021 conference was held virtually due to the pandemic and provided an excellent learning opportunity for both our clients and Compeer in working in a digital environment. These learnings helped shape the 2022 conference, which was held in person in multiple locations, but also leveraged a digital aspect as sessions were recorded and packaged to be offered post-conference as well. We expect 2023 conference attendance to continue to expand as we get farther removed from the pandemic and social distancing.

Since inception the attendance has grown from 135 attendees in 2019 to 325 attendees in 2022.

Groundbreaker of the Year Award ("GBOTY")

The GBOTY Award is an opportunity for Compeer to honor a young, beginning or small-operation farmer who is passionate about what they do and makes a positive impact on their industry and profession. The award is provided annually and is announced at the Groundbreakers Conference. The winner receives \$5000 cash to help further their goals and is featured in various Compeer publications throughout the year. Nominees are evaluated based on their agricultural leadership and advocacy, community involvement, perseverance and commitment to the agriculture industry.

Past winners include:

- First-generation farmer growing corn, soybeans and hay on a 100-acre farm in Illinois
- Organic small berry operation focusing on innovative methods to maximize efficiency in Minnesota
- Next-generation farmer expanding beyond traditional corn and soybeans to fresh produce, meats and baked goods direct to consumers in Wisconsin.

These GBOTY winners are featured in Compeer's Cultivate Magazine and featured in stories and videos on social media.

Emerging Markets

Compeer's Emerging Markets team is dedicated to serving non-traditional agriculture operations that market products directly to consumers or through local and regional food systems. Our program offers businesses like urban farms, value-added (food processing), fresh fruits and vegetables, beekeeping for pollination and honey, finfish, berry crops and tree nuts access to credit and other financial services. The team builds and maintains strong relationships with both partners and historically underserved farmers to ensure we're providing access to capital, educational resources and expertise, grant funds and other support.

Compeer also partners with several organizations to ensure we are reaching these goals, including:

- Farmer Veteran Coalition
- Farm Credit Council
- Midwest Organic and Sustainable Education Service
- Wisconsin Women in Conservation
- Hmong American Farmers Association
- Latino Economic Development Center
- GrassWorks Regenerative Alliance

Other Initiatives

Educational Programming

Compeer offers a robust library of articles, videos, in-person events, virtual events, webinars, tools and resources. Much of this content is targeted to farmers of all sizes, experience, age and industry. However, special consideration is always given to young, beginning and small farmers. In building out these resources, we've engaged the Advisory Group in a brainstorming exercise to identify YBS educational needs and programming to meet those needs.

Peer Networking Initiative

Through the many touchpoints we have with young, beginning and small farmers at the Groundbreakers Conference and the Advisory Group, the concept of a peer networking need has continually arisen. We have committed resources to determine a strategic plan for facilitating networking opportunities and have begun piloting various channels to provide these opportunities. We included a peer networking session at the last Groundbreakers Conference and are hosting a virtual peer networking event in August 2022, as well as encouraging collaboration among peers at Advisory Group meetings and at the Groundbreakers Conference.

Digital Groundbreakers Marketing Campaign

Compeer has an ongoing digital strategy to market to young, beginning and small farmers that started in 2019. These targeted marketing campaigns are primarily carried out through paid search, display ads, geo-targeting, email and audience targeted display ads. In 2021, we also expanded efforts to include imagery and verbiage for Emerging Markets.

All of the above initiatives exemplify the value of the Groundbreakers Program and our commitment to partnering with our Groundbreaker (young, beginning and small) farmers to identify gaps in offerings and provide solutions that meet the needs of the market.

Comments to YBS Proposed Rule

As highlighted by our Groundbreakers program, Compeer is deeply committed to the System's mission of supporting young, beginning, and small farmers. However, in our view, the Proposed Rule will not further that mission and would negatively impact Compeer's ongoing efforts to serve the YBS community.

One of the main objectives of the Proposed Rule is to increase direct lender associations' YBS activity. However, the System's ever-increasing number of loans and volume of loans to YBS farmers and ranchers is tangible evidence of the System's success without the need for FCA to mandate additional reporting and increase the regulatory burden on the System. Indeed, the *Fact Sheet on Farm Credit System young, beginning, and small (YBS) farmer lending results for 2021*, released by the FCA just days ago, shows that in 2021 growth in loan volume and number of loans to YBS borrowers **outpaced** that of the System in total. As highlighted in the FCA's August 11 Press Release, total System loan dollar volume outstanding increased by 10.9% while loan dollar volume outstanding to young, beginning and small farmers increased by 10.3%, 18.1% and 14.2% respectively. In addition, total number of System loans outstanding increased by 1.8% while total loans outstanding to young, beginning and small farmers increased by 2.9%, 4.8% and 1.7% respectively. The growth in the number of new loans made to YBS farmers in 2021 was also on pace with the System in total. The number of new loans made by the System overall increased by 2.1% while the number of new loans to young, beginning and small farmers increased by 2.8%, 3.0% and 0.8% respectively.

We fail to see how the Proposed Rule will further improve the System's YBS success given the Proposed Rule does not provide any meaningful improvements to achieve that goal. Instead of providing additional means for accomplishing this goal, the proposed Rule adds unnecessary compliance and reporting burdens, diverts resources currently targeted at YBS programs towards administrative coordination with the funding bank, and creates unintended consequences of designing programs aimed at maximizing a rating system rather than the specific needs of YBS borrowers. In our opinion, these resources could be better utilized to execute and expand current YBS efforts that are already in place at Compeer and other associations. For these reasons, as discussed more fully below, Compeer requests the FCA withdraw the Proposed Rule as we respectfully disagree the Proposed Rule will enhance the System's ability to serve its YBS clients and fulfill its mission.

In preparing comments to the Proposed Rule, Compeer participated in dialog across the Farm Credit System and has provided input and comment to the letter which was submitted by the Farm Credit Council ("FCC") on behalf of the entire System. Compeer fully endorses and supports the FCC letter in its entirety. In addition, Compeer would like to highlight three primary categories of concern specific to our organization.

YBS Strategic Plan

The Proposed Rule requires associations to prepare a 3-year YBS strategic plan, prepared and approved separately from the business plan already required. Creation of a YBS plan independent of the annual business plan requirement is unnecessary redundancy (because YBS is already a significant component

of our comprehensive business plan) and creates a disconnect from the overall business plan. In our view, YBS borrowers are critical to the overall sustainability of our business and a key component of the overall business plan. YBS borrowers should be considered in the context of the whole business and, as such, included in the overall business plan. If successfully prepared and executed, a comprehensive business plan will address all plans to attract, retain and facilitate the success for all eligible borrowers in the lending territory. Separating the business plan and a YBS strategic plan may create inconsistencies or redundancy and thereby reduce the effectiveness of both.

Creation of an independent YBS strategic plan adds additional administrative burden and strains resources that otherwise might be available to facilitate YBS efforts. Completing this plan would clearly detract from the time and attention given to the YBS program and minimize our YBS efforts.

The proposal requires quantitative goals be based on "*reasonably reliable demographic data*" for the lending territory. The Proposed Rule creates a requirement that provides uncertainty and highly subjective interpretations. The proposal also requires evaluation of the "*effectiveness in providing these efforts that result in new and expanding YBS operations to which credit is now provided.*" For many programs and services, the "effectiveness" may be difficult to measure. It is unclear how to effectively measure these efforts or how they may or may not have contributed to "*new or expanding YBS operations.*" For example, if a potential YBS borrower attends a Groundbreakers conference in 2022, but does not become a borrower until 2027, the Proposed Rule suggests our strategic plan must monitor, record, track and report that information. In addition to being difficult to track, this tracking exercise provides no value to the YBS community. We believe the additional requirements create nothing but an increased administrative burden to somehow measure effectiveness of these programs, which we believe are already very effective.

Supervisory Responsibilities of Funding Bank

The Proposed Rule requires Farm Credit bank oversight including review and approval. Including this additional layer of oversight adds little value to the YBS strategic plan. The territories covered by the funding bank are very widespread, diverse and unique. AgriBank is not actively involved in retail YBS lending and has little insight into the specific marketplace, needs or requirements of YBS borrowers in Illinois, Minnesota, and Wisconsin. Involvement, specifically approval and/or review provided by the funding bank, would add very little value and perspective into the needs of the local territory. Staffing time and resources previously available to collaborate across the entire System could be diverted to coordinating funding bank approval of the YBS strategic plan. Collaboration may also unintentionally be limited only to associations within each individual funding bank, which may limit the overall effectiveness of the System's YBS efforts.

Rating and Evaluation Process

Additional evaluation as part of a rating system could have unintended consequences that do not advance YBS efforts. The Proposed Rule outlines the objective of a rating system to "*measure year-over-year YBS progress.*" FCA is currently providing oversight within existing statutory and regulatory authorities. A ratings system applied equitably across the System could encourage all programs to look alike, rather than encourage creative solutions for unique territories and for associations with very different resources. This could potentially limit how YBS producers are served rather than meeting the unique needs specific to an association's territory.

A ratings system may also have the unintended consequences of associations continuing or adopting programs that are less effective in the marketplace, but are viewed positively by the FCA and/or funding bank. This creates an unintended incentive of striving to achieve a higher score with FCA and avoid potential supervisory consequences versus adapting, changing or developing new programs to meet the needs of the marketplace. A new program developed to meet an identified need with yet unproven results could be viewed poorly by the FCA and/or funding bank. Associations will be incentivized to score well in the ratings, rather than create, adopt and innovate.

Conclusion

In summary, Compeer is deeply committed to supporting young, beginning and small farmers. Our success in supporting these clients is demonstrated both by our Groundbreakers program and by the fact that approximately one third of our portfolio consists of loans to YBS borrowers. Like FCA and the rest of the System, we are committed to this important mission and are constantly enhancing our existing efforts to serve YBS farmers.

We appreciate the opportunity to comment on the Proposed Rule and to present some of our concerns to the FCA for consideration. Because we respectfully disagree the Proposed Rule will enhance the System's ability to serve its YBS customers, we urge the Agency to withdraw the Proposed Rule.

Sincerely,



Matt Ginder
Chief Core Markets Officer