AgCountry® Farm Credit Services®

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August 15, 2022

Kevin J. Kramp, Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean VA 22012-5090

Re: Federal Register Comments on YBS Proposed Rule

Dear Mr. Kramp:

AgCountry Farm Credit Services appreciates the opportunity to comment on the Farm Credit Administration's (FCA) Notice of Proposed Rulemaking regarding Loan Policies and Operations (YBS Proposed Rule) that was published in the Federal Register on June 16, 2022.

I. AgCountry Farm Credit Services already has a robust Young, Beginning and Small Farmer Program

AgCountry Farm Credit Services provides a very robust Young, Beginning and Small Farmer (YBSF) program. The program starts with Board Policy 0214. Young, beginning or small farmers are valued customers, and we seek to assist them with their opportunities. It is the Association policy to provide value added service and solutions through sound, constructive and competitive credit and financial services to these farmers, to establish programs to enhance their viability and create a value-added business relationship with the Association. Programs shall be established to accomplish the objectives set forth in this policy.

AgCountry's YBSF programs start at a young age with the Youth Loan Program. The Youth Loan Program helps rural youth establish and operate an income producing project of modest size in connection with their participation in 4-H clubs, Future Farmers of America and other approved rural youth agricultural organizations. This serves as an educational experience in planning and operating a small project. Other educational benefits in borrowing loan funds include understanding of concepts and preparation of balance sheets, cash flow statements and legal agreements.

The next entry point for young and beginning farmers is the AgCountry Starting Gate Program which allocates $10,000,000 for young or beginning farmers pursuing a full-time farming operation and small farmers who are either young or beginning. The program provides a three-year window for these starting operations at the entry point into agricultural production or local/regional food systems. These units would have little equity and generally would not meet all established credit standards. This program uses our best interest rate pricing and is available for up to $300,000 for operating loans and $100,000 for capital investments.

The next step is the broader Young and Beginning Farmer Program to support the successful entry of young and beginning farmers into production agriculture through specialized credit underwriting, educational/informational programs and other activities. This program brings a more liberal application of credit standards to the young and beginning market segment, invests the specialized skills of our staff in assisting this segment, and provides subsidies for interest rates and financial services. This program includes:

- More flexible underwriting and loan conditions
- Top tier interest rate pricing
- Educational programming and opportunities to include, financial education, commodity marketing education, risk management education and succession and transition planning education
- $66,000 of college and continuing education scholarships
- Fees waived
    - Up to $200 for succession and retirement planning
    - Up to $1500 for farm accounting services
    - Up to $750 tax planning services
    - Up to 50% of FSA loan guarantee fees

The results of these programs are:

- 23% of new loans and 23% of all loans are to young or beginning farmers
- 22% of new loans and 26% of all loans are to small farmers
- Over $380,000 of loan fees paid or waived in 2021
- Over $90,000 of tax planning, tax preparation and accounting fees waived in 2021
- Over 600 young, beginning or small farmers attending AgCountry marketing, insurance and succession and retirement educational forums in 2021
- Two young farmer advisory committees with plans to develop two more in early 2023
- Support of 4-H, FFA and other ag youth organizations with over $200,000 of financial support each year and hundreds of volunteer hours by our team members.
- Other youth and young farmer events including Youth Farm Safety sessions, Ag in the Classroom, Progressive Ag Safety programs and college and high school career fairs.

II. Implementing the Proposed Rule will not improve AgCountry's robust YBS program but will only add burdens and costs to AgCountry's operations.

Implementation of the proposed rule as written would add considerable additional time and cost to data reporting and regulation and would not directly add any additional benefits or activity to young, beginning or small farmers. One of the objectives of the proposed rule is to increase direct lender associations' YBS activity. The propose rule could very well have the opposite effect.

- The time spent with reporting and compliance may take away time from existing YBSF programming as much of the activity functions and the reporting functions are completed by the same staff.
- Adding internal controls to the YBSF plan as outlined in proposed paragraph (d)(1)(i)(B) to include internal controls over the lines of responsibility, YBSF program implementation, performance tracking and quarterly reporting to the board adds additional time, energy and cost to reporting that is already being completed.
- Proposal to assess the effectiveness of the plan and the YBSF impact require additional reporting and strategic plan preparation efforts and are redundant to reporting already being completed in the year-end YBSF quantitative and non-lending reports.
    - Instead, we recommend working with a committee of associations to streamline the current YBSF quantitative and non-lending reports and improve the information and data received in those reports.

Creating a separate YBSF strategic plan, separate from the business plan, does not make sense and may be problematic.

- Associations are currently required to include their YBSF strategic plan and goals in the business plan under § 618.8440
- Any YBSF strategic and operational plan must coordinate and integrate into the overall association strategic and operational plan and should therefore not be a separate plan and document but be included in the association business plan.
- Creating a separate plan from the existing business plan may not result in more activity, but with more text merely to fulfill a perceived mandate from the administration.
- Reporting the past years results and analysis of performance in the YBSF business plan within 30 days of commencement of the calendar year is too short a time frame. Year-end results have not yet been finalized and approved by the district bank, FCA and PwC by that time each year.
- Looking forward three years in the separate plan will add additional time preparation to the YBSF strategic plan and will not necessarily create additional programming or better results.

The first paragraph of the preamble to the proposed rule states, The direct lender association's YBS strategic plan must contain specific elements that will be evaluated as part of a rating system to measure year-over-year internal progress. However, the proposed rule makes no further reference to or description of the rating system. Farm Credit associations should have the opportunity to review and comment on a proposed rating system.

Expanding the YBSF strategic plan review and approval requirements by the district funding bank add additional responsibilities, time and cost to the funding banks that are not a part of their purpose.

- The purpose of the funding bank is to provide wholesale funding. The proposed additional requirements are not core to that purpose.
- Funding banks are not structured, equipped or staffed to be a "clearinghouse of ideas" for association YBSF programming. Building out that function will increase funding bank cost, which is directly born by its affiliated associations.

III. Therefore, the Proposed Rule should be rescinded.

In summary, AgCountry Farm Credit Services is very committed to serving young, beginning and small farmers and ranchers. However, we believe the proposed rule changes to § 614.465 Young, Beginning and Small (YBS) Farmers and Ranchers will not increase activity and programming to YBSF and could actually have the opposite results because of the time, energy, staffing and costs required for additional strategic plan preparation and associated reporting. We also believe that the additional oversight requirement of the district banks is not within their scope or purpose and would also add additional costs, which in turn will be passed to the direct lender associations. As a member-owned cooperative, all these additional costs are passed on to the member-customer - including young, beginning and small farmers and ranchers - in the form of higher interest rates, higher fees or reduced patronage. The additional time and resources needed to perform the additional functions in the proposed rule will take away time and resources from current YBSF programming. We respectfully ask that the Farm Credit Administration rescind the YBS proposed rule.

Sincerely,

Marcus L. Knisely
President & CEO