

August 15, 2022

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

Re: Proposed Rule – 12 CFR Parts 614 and 620, RIN 3052-AD54; *Loan Policies and Operations*; 87
Federal Register 36261-36264

Ms. Agans:

Colonial Farm Credit (CFC) appreciates the opportunity to comment on the Farm Credit Administration's (FCA) proposed rule *Loan Policies and Operations* specifically regarding Young, Beginning, and Small (YBS) activity.

Colonial Farm Credit has been actively supporting the Young, Beginning, and Small farmer community in various ways for many years. We have and continue to create and participate in a variety of programs to assist and meet the needs of YBS producers in our territory.

- Young farmers: the 2017 Census of Agriculture shows 11.1% of the total farmers in CFC's chartered territory fall into the Young category. As of 6/30/2022, we estimate that CFC is serving 60.2% of the census group.
- Beginning farmers: the 2017 Census of Agriculture reports 31.2% of total farmers in CFC's chartered territory fall into the Beginning category. As of 6/30/2022, we estimate that CFC is serving 55.9% of the census group.
- Small farmers: this is by far the largest segment as reported by the 2017 Census of Agriculture at 93.2% of total farmers in CFC's chartered territory. This is due to the geographical makeup of our territory and being surrounded by metropolitan areas. As of 6/30/2022, 72.5% of CFC's total farmers fell into the Small category.

We provide quarterly reporting to our Board of Directors on our efforts towards YBS goals and outreach programs as well as include a separate YBS plan within our overall business plan. We also feature YBS customers in our Leader magazine and annual report. Here, we outline just some of the ways we support this important segment of agriculture:

AgBiz Planner and AgBiz Basics

Colonial Farm Credit partners with Farm Credit of the Virginias, AgCarolina Farm Credit, Carolina Farm Credit, and Cape Fear Farm Credit to send farmers through the Ag Biz Planner program developed by

*Providing financial services for farmers,
agribusiness, landowners, and homeowners since 1916.*

Farm Credit University. This ten-module online course teaches YBS farmers about financial management and recordkeeping, business strategy, and business planning. We also offer the AgBiz Basics program through Farm Credit University, which is an online only, four module course for full-time and part-time farm customers and prospects.

Virginia Farm Bureau Young Farmers Programs

We sponsor the Farm Bureau Young Farmer Discussion Meet, the Outstanding Young Agriculturalist Competition, the Excellence in Agriculture award, the Young Farmer Excellence in Agriculture award, and Farm Bureau Young Farmer Expos. This has also included sponsoring a Young Farmer Institute in conjunction with Virginia Farm Bureau and providing speakers such as Dr. Alex White of Virginia Tech to speak on business and personal finance, as well as transition planning.

One Page Business Plan and Other Farm Planning Presentations

Our relationship managers assist the Association in promoting our products and services to YBS farmers. They provide visibility at YBS farmer events and education across our territory. As opportunities arise, this group will also provide “Building Better Financials” seminars, which focus on income statements, balance sheets, projections, and other financial indicators. They will also provide presentations on the “One Page Business Plan” curriculum which focuses on planning and budgeting for the smaller farmer. We also provide Transition Planning workbooks when applicable.

Farmers’ Market Program

We conduct a Farmers’ Market outreach program to provide sponsorship and assistance to area farmers’ markets. We are able to assist these markets through money sponsorship, local advertising, market signage, and/or donation of shopping bags. These markets provide a valuable outlet for small and local food vendors to showcase their products and an opportunity for us to market our loan products and services to these groups. We partnered with 35 farmers’ markets in 2021. In addition, we sponsor the conference, training, and events for the Virginia Association of Farmers Markets. We continuously assess the markets in our territory to look for new opportunities.

4H, FFA, and Other Youth Programs

We support the Virginia and Maryland FFA programs through donations and sponsorships. At present, one of our Regional Lending Managers serves on the Virginia FFA Foundation Board. We also support Ag Days in our territory that promote agriculture to school-age children. The Youth Loan Program provides loans to youth involved in 4-H and FFA projects including livestock and crop production. This program is promoted through extension agents, youth groups, and livestock shows. We also support Ag in the Classroom programs in both Virginia and Maryland through donations, sponsorships, and participation and education activities such as Ag Literacy Week.

Small Farm Loan Program

The Small Farm Loan Program was created for full-time and part-time farmers who might not otherwise qualify for a loan based on standard credit scoring factors. A loan under this program must meet all

eligibility and underwriting standards of the Association's credit scoring procedures with the exception of the applicant's credit score, which may be eligible using a lower score threshold. At present, we have eight loans in the Small Farm Loan Program totaling \$279,258 in volume.

FSA Partnership

We work with FSA on guaranteed loans and joint loans (Farm Credit and FSA direct financing). While these loans are available to anyone, we especially promote the use of them to YBS producers. FSA loan programs can often facilitate lower down payment and equity requirements.

Land Grant University Partnerships

We partner with land grant universities Virginia Tech, University of Maryland, and Virginia State University along with extension agents to develop lists of potential new YBS farmers or farm managers and support their outreach programs through attendance, participation, and sponsorship. Virginia State University has a Small Farm Outreach Program (SFOP) that we participate in throughout the year in various ways, such as providing sponsorships for field days, providing speakers for classes and workshops, and participating on the judging panel for their Ag Entrepreneur class.

Scholarships

The Colonial Agricultural Educational Foundation has awarded more than \$3,000,000 in scholarships since 1991. Seed money for the Foundation was provided by Colonial Farm Credit, which continues to contribute annually. The Foundation also financially supports organizations that provide education and community enrichment. Programs and services offered through agricultural commodity organizations and youth organizations such as 4-H, FFA, and Scouts are typical of projects the Foundation supports. Scholarships are awarded annually and there are currently 86 endowments. Many of these students are pursuing ag related careers and are potential future YBS producers. In addition, we also sponsor a scholarship through and participate in the activities of the Virginia Cooperative Council (which provides youth training regarding cooperatives).

Partnerships with other Ag Groups

We partner with the Maryland Agricultural & Resource-Based Industry Development Corporation (MARBIDCO) to offer special financing assistance programs to YBS farmers in Maryland. We also sponsor extension and grower meetings that have a focus on YBS farmer issues. We promote third-party risk management services such as leasing, financial/estate planning, and crop insurance to our YBS farmers through cross-selling opportunities and seminars.

We hope that this letter outlines some of the many ways Colonial Farm Credit has and continues to serve YBS producers.

We have participated in the development of the comment letter that was submitted by the Farm Credit Council, and we fully endorse and support that letter. Not having seen what the proposed rating system would entail, we cannot provide comment on how it would affect our Association. However, additional

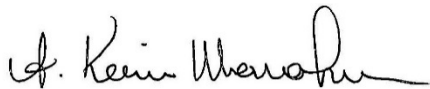
regulations and reporting would require more human capital which could be difficult for us. We believe the current system of reporting activities by associations via the qualitative and quantitative surveys should continue to be refined and improved as opposed to implementing the proposed regulation.

We have been successful serving YBS famers in our territory, and we strive to do more. However, we have deep concerns that an undisclosed, "one size fits all" scorecard approach will impair our efforts. Many of our activities, which have proven effective, are qualitative in nature. Respectfully, we ask that FCA consider the following:

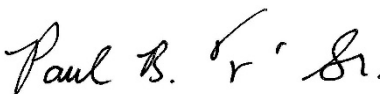
- Continue the requirement to incorporate YBS strategies in CFC's annual business plan.
- Forgo funding bank oversight of YBS programs. Given the structure of the Farm Credit System, funding banks do not interact directly with YBS producers. Farm Credit Associations are the institutions that conduct direct relations with customers. Funding bank oversight will create redundancies and inefficiencies, and we do not understand how a change of this nature benefits YBS efforts.
- Forgo a rating system for YBS and instead refine existing examination processes. This is a better path to understanding and evaluating Association YBS programs.

Thank you for the opportunity to comment. We respect and appreciate FCA's interest and support in advancing YBS efforts across the Farm Credit System. We share this common goal for the future success of agriculture.

Sincerely,



A. Kevin Monahan, Chairman of the Board



Paul B. Franklin, Sr. President & CEO