



Helping Our Members Prosper!

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August 11, 2022

Autumn R. Agans  
Deputy Director, Office 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 36261-36266**

Director Agans:

Yosemite Farm Credit 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 (YBS) activity that was published in the June 16, 2022, *Federal Register* (the "Proposed Rule").

### **General Comments**

Yosemite Farm Credit fully recognizes the importance of young, beginning, and small farmers as the future of the agriculture industry. We are fully aligned and share in FCA's vision to meet the unique and evolving needs of the YBS borrowers. The Association's YBS Program has provisions to consider the financing and related service needs of all individuals. In addition to constructive financing, the Association's Program includes education training, related industry support, and marketing outreach to YBS customers and potential customers. Along with providing specific feedback on the proposed regulation, we would like to proudly highlight our progress and achievements centered on YBS borrowers.

### **Outreach and Programs**

Yosemite Farm Credit's outreach and support of YBS producers includes a diverse offering of programs designed to help ensure the future viability of agriculture in our lending territory. We realize the future of agriculture rests with this borrower demographic. In order to encourage and assist our YBS borrowers, we have developed various programs to meet their specific needs as well as building relationships with commodity groups focused on YBS producers. We continue to

look for ways to improve and enhance our YBS program and give all our YBS borrowers and future borrowers, the opportunity to succeed. These efforts are focused on helping YBS borrowers succeed in agriculture. Below is a brief overview of the program and outreach sponsored by Yosemite Farm Credit.

- **Scholarships**

Our longstanding scholarship program supports FFA students in our lending territory for those graduating from high school who plan to continue their education in the agricultural field. In addition to our FFA Scholarship Program, we also contribute to various scholarship programs at the college level. These scholarships are awarded to local Junior College and University students who plan to work within the agricultural sector upon graduating.

- **Education and Training**

We work with our local county Farm Bureaus to sponsor conferences and trainings for the Young Farmers and Ranchers Program. Various events include leadership conferences and commodity focused safety trainings. We also partner with other Farm Credit Associations in California to make a bigger impact supporting YBS borrowers through sponsoring industry events and educational conferences. Yearly, we donate monetarily approximately \$78,000 to trainings, conferences and programs serving over 5,000 various YBS producers inside and outside of our association.

- **California State University Stanislaus – Ag Entrepreneur Program**

Each year, we are happy to partner with the California State University Stanislaus Agriculture Business Program to mentor their Agriculture Entrepreneurship Course. Each student in the class is partnered with an employee from our credit staff to create a business plan for their mock business. YFC staff serves as a mentor to provide guidance, advice and feedback to support and help students. At the end of the program, we provide scholarships to three students with the highest rated business plan and presentation. The winners are also featured on our social media platform for recognition and to keep the local community and audience engaged. We also have staff members speak and serve as guest lecturers to various agriculture business classes within the college of agriculture.

- **Future of Agriculture**

We believe that the future of agriculture begins within our local FFA and 4-H programs. We are actively involved in our local county fair by sponsoring various activities and supporting student projects. Along with supporting local county fairs, we also support the FFA and 4-H programs within our territory individually through various sponsorships and activities. We also support FFA Career Development Event (CDE) teams that compete at the national level.

- **YBS Portfolio Statistics**

Our focus on YBS producers and the success of our outreach programs are demonstrated in the strength of our YBS portfolio. YBS producers make up roughly 49% of our total portfolio by volume as of June 30, 2022. As a percentage of our loan portfolio, Young producers account for 13%; Beginning producers account for 21%; and Small producers account for 15% of the total outstanding loans. As you can see from these percentages, efforts and outreach to YBS borrowers is evidenced by these results.

Through our ongoing outreach to YBS producers and organizations that support them, we hope to continue to add programs targeted at helping YBS producers succeed in agriculture. We plan to grow our YBS education program by partnering with other Farm Credit Associations in California to provide training and education courses for our YBS producers. Our Board and Association leadership values the importance of YBS farmers and ranchers and has made it a goal to enhance our current program to give our YBS producers every opportunity to succeed.

### **Proposed Rule Comments**

The proposed rule identified many objectives intended to strengthen YBS lending of which we agree in concept that there should be a continued focus on this segment. However, we believe the following areas are counterproductive in serving our mission to YBS borrowers:

1. To reinforce supervisory responsibilities of the funding banks;
2. To require each direct lender association to adopt an independent strategic plan; and
3. To provide elements that will be evaluated as part of a rating system to measure year-over-year progress.

### **Supervisory Responsibilities of Funding Bank**

The proposed regulation 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. Yosemite Farm Credit's funding bank, CoBank, is not actively involved in retail YBS lending and has little insight into the specific marketplace, needs or requirements of YBS borrowers in Merced, Stanislaus, Mariposa, & Tuolumne Counties, CA. 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 would be a step backward. Over the years, the system has moved away from Farm Credit Bank oversight and it has proven to be a better system to serve the mission.

### YBS Strategic Plan

The regulation requires associations prepare a 3-year YBS Strategic Plan, prepared and approved separately from the business plan already required. Creation of a separate 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 has the potential of creating a disconnect from the overall strategic plan of the Association. 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. The current comprehensive business plan addresses all plans to attract, retain and facilitate the success for all eligible borrowers in the lending territory as demonstrated by our statistics noted above. Successful YBS borrowers may one day no longer be considered YBS borrower. A comprehensive business plan should, therefore, already consider all borrowers, both YBS and those we have served and helped create sustainability in the business and no longer meeting YBS definitions. Separating the business plan and a YBS Strategic Plan would inherently 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. Resources that may otherwise be available to engage in ongoing YBS development and support would be diverted to preparation of a YBS strategic plan.

The proposal requires quantitative goals in the strategic plan be based on *‘reasonably reliable demographic data’* for the lending territory. The proposed regulation 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. We currently provide scholarships for YBS borrowers to attend training events, sponsor industry trade shows, provide education seminars and offer college scholarships as part of our efforts. It is unclear how to effectively measure these efforts or how they may or may not have contributed to *‘new or expanding YBS operations.’* If a potential YBS borrower attends a workshop in 2022 and becomes a borrower in 2026, the regulation suggests our strategic plan must monitor, record, track and report that information. If a scholarship is provided to a college freshman in 2023 and that student then joins his family’s operation in 2030 after working in another industry, does the YBS strategic plan need to track that information as an “expanding operation”? We continue to believe and support these efforts as part of our mission to support agriculture and YBS borrowers. We have every incentive already to do so. We believe the additional requirements create an increased administrative burden to somehow measure effectiveness of these programs and diverts existing staff from grassroots 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 proposal 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

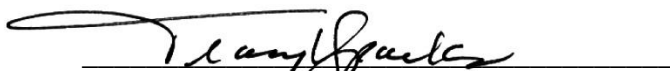
Yosemite Farm Credit has participated in dialog across the System and has provided input and comment to the letter which will be submitted by the Farm Credit Council on behalf of the entire Farm Credit System. We fully endorse and support this letter.

As part of the Farm Credit System, we are committed to providing sound and dependable credit and related services to YBS farmers and ranchers. Our YBS mission statement is "To serve Young, Beginning, and Small farmers and ranchers in order to facilitate their entrance into agriculture and improve the income and wellbeing of both existing and prospective members by making available an adequate and dependable supply of credit along with providing closely related services necessary for their success."

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Nancy Sill", written over a horizontal line.

Nancy Sill, Board Chair

A handwritten signature in black ink, appearing to read "Tracy V. Sparks", written over a horizontal line.

Tracy V. Sparks, President/CEO