



Central Kentucky Agricultural Credit Association

640 South Broadway | PO Box 1290 | Lexington, KY 40588 | 859-252-4717 |
agcreditonline.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: Proposed Rule – 12 CFR Parts 614 and 620, RIN 3052-AD54; Loan Policies and Operations; 87
Federal Register 36261-36264

Dear Ms Agans:

Central Kentucky AgCredit ("AgCredit") 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").

AgCredit has a strong interest, track record of investment and strategic mission to serve YBS borrowers and support the future of the agriculture industry. 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.' Along with providing specific feedback on the proposed regulation, we would like to proudly highlight our progress and achievements centered on YBS borrowers.

Our Association prides itself on relationship lending. This is how we differentiate ourselves in a highly competitive marketplace. In order to form strong relationships with our borrower/members, we prefer to start with them early in their farming careers and then maintain that relationship throughout. I started my career as loan officer, and one of my first loans was to a young man that had just turned eighteen and was close to graduating high school. He wanted to farm full-time and needed a small equipment loan and operating loan expand his operation. He had borrowed money at the local bank with the co-signature of his father, but wanted to handle the financing on his own. When he came to me and explained his situation, I knew he was a perfect candidate for the FSA Guarantee Program.

Ultimately, we made this young borrower a FSA Guaranteed loan that has now become a 20 year relationship. He now has one of the most successful cattle backgrounding operations in our territory, along with a value added livestock marketing operation. We are proud to say that this is only one of many similar examples of the success we've had taking the risk of loaning to a YBS customer, and seeing it pay off with a long-term successful relationship. Our use of the FSA Guarantee and the Kentucky Ag Finance Young Farmer Loan Programs have been extremely beneficial in being able to take the necessary risks to finance these type operations, but also give the borrower the terms they need to make their operations cash flow.

Outreach and Programs

AgStart

AgStart is a program focused on young, beginning and small (YBS) farmers in Central Kentucky. This program was created with the unique needs of young, beginning and small farmers in mind. This program not only educates farmers, but allow for networking opportunities and special loan servicing programs.

Central Kentucky Ag Start was created by the Ag Credit Young Farmer Advisory Council. The Council was established in 2013 and is made up of a young farm couple or individual in each of the 17 counties in Ag Credit's territory. The goal of the program is to improve the agriculture industry in central Kentucky, by providing mentoring opportunities and educational tools for farmers.

AgBiz Basics

AgBiz Basics is a four-module eLearning course that educates young, beginning and small farmers and their families on how to run a successful farming operation. The program is mobile friendly and includes a workbook with financial spreadsheet templates.

Module Topics

- Side by side with your lender
 - Planning, goal setting and financial documentation
- Do you cash flow?
 - The business side of production planning
- What are you worth financially?
 - Business and personal balance sheets
- Did you make a profit?
 - Income statement

Mentorship

AgCredit loan officers are farmers and financial experts. AgCredit loan officers act as mentors to AgStart participants, and are available to help with any questions. AgCredit maintains an AgStart Youtube channel which offers advice from staff and customers.

Kentucky Ag Finance Corporation - Beginning Farmer Loan Program (BFLP)

The Kentucky Agricultural Finance Corporation (KAFC) provides access to low-interest loans through joint partnerships with local lending institutions. Applicants must work with a lending agency to submit a KAFC loan application. The following capital access programs are available to producers and processors in Kentucky.

BFLP assists individuals with farming experience who desire to develop, expand, or buy into a farming operation. Eligible projects include purchases of livestock, equipment, agriculture facilities, and real estate; securing working capital; or investing into a partnership or LLC.

Despite having only 17 of Kentucky's 120 counties, AgCredit maintains the largest partnership with KAFC.

Farm Service Agency

AgCredit has the largest utilization of the Farm Service Agency (FSA) Guaranteed Loan Program in the state of Kentucky. Again that is despite having only 17 of Kentucky's 120 counties. We are ranked number one in number of loans with 5,662 total loans made, 1,164 made in the past 5 years and 424 made in the past 2 years.

Our partnership with FSA has been a vital component of supporting young, beginning and small borrowers. Our presence as the top lender in the state despite our small lending territory speaks volumes to our commitment to our YBS borrowers.

YBS Statistics

Because of the unique needs of these individuals, and their importance to the future growth of the Association, the Association has established annual marketing goals to increase our market share of loans to YBS farmers. Specific marketing plans have been developed to target these groups, and resources have been designated to help ensure YBS borrowers have access to a stable source of credit. Actual program results in 2021 were 100% of program goals or better for young, beginning and small farmers.

The 2017 USDA-NASS Ag census data has been used as a benchmark to measure penetration of the Association's marketing efforts. The census data indicated that within the Association's chartered territory (counties) there were 24,713 reported farmers of which by definition 2,600 or 10.52 percent were Young, 7,066 or 28.59 percent were Beginning, and 23,477 or 95.00 percent were Small. Comparatively, as of December 31, 2021, the demographics of the Association's agricultural portfolio contained 3,179 farmers, of which by definition 709 or 22.30 percent were Young, 840 or 26.42 percent were Beginning and 2,622 or 82.48 percent were Small.

Proposed Rule Comments

In the preamble to this proposed rule, the FCA states that "The purpose of the proposed rule is to increase direct lender associations' Young, Beginning, and Small farmer and rancher (YBS) activity and reinforce the supervisory responsibilities of the funding banks, authorized by section 4.19 of the Farm Credit Act." AgCredit fully supports FCA's efforts to increase direct lender associations' YBS activity and believes this is an admirable goal. However, this proposed rule does not provide any additional means for accomplishing this goal by System institutions. Furthermore, reinforcing supervisory responsibilities of funding banks with only outside knowledge of association territory would only hinder YBS activity. The regulation adds undue compliance and reporting burden, diverts resources currently targeted at YBS programs towards administrative coordination with the funding bank and other competing and over chartered associations, and creates unintended consequences of designing programs aimed at maximizing a rating system rather than the specific needs of YBS borrowers.

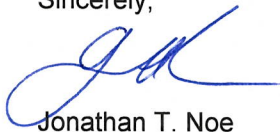
Farm Credit Council National Comment Letter

AgCredit 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.

Conclusion

As indicated above, AgCredit has a documented focus and proved results of meeting the needs of our YBS producers. As a smaller, over chartered association we must make our YBS producers a priority. For association's our size this emphasis on YBS is simply a sound business practice. Our current programs have exceeded our desired results, without the administrative burden that would be placed on our association under the proposed rule.

Sincerely,



Jonathan T. Noe
President and Chief Executive Officer