



August 15, 2022

Ms. 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

Dear Ms. Agans:

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

Texas Farm Credit Services participated in the development of comments submitted by the Farm Credit Council ("FCC") in response to the YBS Proposed Rule, and fully supports those comments. While we agree with the goals stated by the FCA for the YBS Proposed Rule, for the reasons more fully explained in the FCC's comment letter and herein, we do not believe that the YBS Proposed Rule provides any additional means for accomplishing these goals, but rather only adds administrative burden that will cost time and money which would be better utilized through direct support for young, beginning, and small farmers and ranchers ("YBS").

#### **TEXAS FARM CREDIT'S CURRENT SUPPORT OF YBS**

With the majority of American farmers nearing retirement, young farmers and ranchers are vital in maintaining a strong agricultural economy for the future. Texas Farm Credit Services has an established history of robust lending to YBS farmers and ranchers. Continuing to focus on lending to young, beginning, and small farmers and ranchers is a key objective in the business plan and is necessary to realize the long-term goals of Texas Farm Credit Services.

USDA's 2017 Census of Agriculture is the latest report from which new and beginning demographics are available for comparison to the Association's performance within its lending territory. The data indicates that there are 60,200 producers classified as "new and beginning" within Texas Farm Credit Services' 100 county territory. Given the number of potential farmers and ranchers that are just starting out, Texas Farm Credit Services focuses tremendous efforts on education and trying to share information regarding the Farm Credit System with these new producers, some of which have never heard of Farm Credit.

Looking at our overall loan portfolio, Texas Farm Credit Services is continuing to see a large percentage of the total number and volume of loans being classified as young, beginning, or small farmers and ranchers. As of December 31, 2021, \$1,524MM out of the Association's \$2,284MM loan

portfolio (recorded investment + remaining commitment) fell within at least one of the three YBS sub-groups detailed below.

*Young Farmers:* USDA's 2017 data indicates that there were 11,936 producers classified as "Young" in Texas Farm Credit Services' 100 county territory. Through December 31, 2021, service to the Young Farmer segment increased in actual number (from 747 to 835) and increased slightly as a relative % of total number of loans (from 16.8% to 16.98%) when compared to the prior year-end. Of the 1,601 loans newly booked or renewed by Texas Farm Credit Services in 2021, 277 (17.30%) were to "Young" farmers and comprised \$143.6MM (12.42%) of all new loans closed.

*Beginning Farmers:* USDA's 2017 data indicates that there were 60,200 producers classified as "New and Beginning" in the Texas Farm Credit Services' territory. Through December 31, 2021, Texas Farm Credit Services showed 2,943 Beginning Farmer loans, a 481-loan increase from the loans reported at year-end 2020. This segment accounts for 59.97% of the association's total number of loans (up from 53.90% in 2019 and 56.11% in 2020).

*Small Farmers:* Small Farmer loans have steadily increased over the past few years. Through December 31, 2021, services to the Small Farmer segment increased in actual number (from 3,119 to 3,606) and increased as a relative % of total number of loans (from 70.9% to 73.3%) when compared to the prior year-end. Of the 1,601 loans newly booked or renewed by Texas Farm Credit Services in 2021, 1,158 (72.3%) were to "Small" farmers and comprised \$688MM (59.5%) of all new loans closed.

#### **Examples of Texas Farm Credit Services' Activities Focusing on Young, Beginning and Small Farmers and Ranchers**

Texas Farm Credit Services encourages activities that help cultivate relationships with young, small, and beginning farmers and ranchers such as scholarships, mentorships, and grants. The following are some examples of activities that Texas Farm Credit Services have sponsored or led over the last few years.

Texas Farm Credit participates in the **Tenth District Young Leaders Program**, sponsored through the Farm Credit Bank of Texas, which affords young stockholders the opportunity to travel to New York and Washington D.C. to gain a broad overview of the Farm Credit System. This program allows for collaboration and networking with other young operators across the Tenth District while gaining an appreciation for the role of the Farm Credit System in supporting agriculture and rural America. Our young operators interact with System leaders, visit the Funding Corporation in New Jersey, tour Wall Street in New York, and meet with congressional representatives in Washington D.C. Most notably, the discussions among other young farmers and ranchers are invaluable and creates collaboration among successful operators that are the future of agriculture and may one day sit on association or bank boards.

The **Texas Farm Credit Young Leaders Council** provides young borrowers from across our lending territory leadership and enrichment opportunities by exploring different facets of production agriculture, learning about innovative marketing and management strategies, understanding the dynamics of the Farm Credit System and networking with other YBS producers. The TFC Young Leaders Council has collaborated with the AgTexas Farm Credit's Young Advisory Board travelling to each association's territory to tour and learn more about ag production in the respective areas. Feedback

from participants is overwhelmingly positive, creating lifelong networks among young farmers and ranchers facing similar hardships and challenges as they grow their agricultural operations.

The **Executive Program for Agricultural Producers** brings together farmers, ranchers, and agribusiness men and women who want to manage their organizations more professionally. This includes managing opportunities of growth and expansion as well as discussing the very delicate issues surrounding transition and succession planning. Texas Farm Credit sponsors a portion of the program fee for YBS farmers and ranchers who are looking for resources to remain successful in agriculture and grow their operations.

Texas Farm Credit sponsors numerous **scholarships** opportunities for high school students across the Association's lending territory every year. The criteria requires the students participate in 4-H or FFA while in high school to ensure support of our future agricultural leaders. Each branch selects one student to be awarded a \$1,000 grant. Additionally, Texas Farm Credit also awards each FFA chapter or 4-H club affiliated with the student \$1,000. Annually, Texas Farm Credit presents ten (10) students who exemplify the best qualities of future agricultural leaders each a \$5,000 scholarship. With these grants and scholarships, Texas Farm Credit hopes to encourage a continued love for rural America and a passion for agricultural.

The **Texas Farm Credit Certificate in Advanced Ranch Management** is available through, and in partnership with, the King Ranch Institute for Ranch Management. The certification program prepares ranchers and landowners to deal with complex issues in today's every changing ranching industry. It is designed for working professionals who wish to continue their education through symposia and lectureships. To earn a certificate, a student must attend 4 lectureships and 2 annual symposiums through King Ranch Institute for Ranch Management, within a three-year period. These efforts support the future of agriculture by allowing young producers the opportunity to learn from experts in the industry.

**Texas Farm Credit Entrepreneurship Dream Symposium** is a multi-day event held each spring at Texas A&M University allowing collegiate agricultural economic students to present business venture projects to more than 100 entrepreneurs and business professionals. Students explain the potential of their ventures and project economic and financial performance within a ten-year planning horizon. Texas Farm Credit Services not only sponsors this program, but encourages employees and directors to mentor participating students, providing valuable feedback on areas such as financial analysis and potential programs for obtaining lending to support these endeavors that help grow the future of rural America. Several employees of Texas Farm Credit Services are graduates of this program and enjoy continued support of future agricultural entrepreneurs.

**Texas Farm Credit Internship Program** provides a foundation to build a career in Farm Credit or agricultural lending and supporting roles. Interns get the opportunity to spend time with leaders within Texas Farm Credit who mentor and teach them about our business and borrowers. The internship program is an 8-week summer program for qualified college students that provides an insider look and training on a variety of departments and roles.

**Youth Ag Video Showcase** encourages teams of youth to create a video to spotlight a past, present, or future ag-related group project in a 3–5-minute video. Participants are encouraged to explain their project in detail, describe the goals of the project, what life lessons were (or will be) learned from the experience. Winning videos are awarded cash prizes to support their projects. These videos allow students an opportunity to earn funds that may help to fund future agricultural endeavors and opportunities while allowing them to share their passion for agriculture.

**Land Stewardship Ambassador Program** in partnership with the East Foundation is a 10-week course designed to cultivate future community leaders from two different urban communities, San Antonio and Laredo. The students are given opportunities to become educated in land stewardship principals and how they interact with society. Students receive a college-style syllabus to prepare them for weekly seminars that go beyond natural resource management to explore the human dimensions such as political, economic, and social elements of land stewardship. Texas Farm Credit Services is an active participant in preparing a session on agricultural financing and opportunities that these students, many of whom have never walked through a farm or ranch operation, would not have otherwise been exposed.

#### **Specific Commentary Relating to the Proposed YBS Rule**

In addition, to supporting the position of the Farm Credit Council regarding the YBS Proposed Rule, Texas Farm Credit Services submits the following comments for your consideration:

#### ***Supervisory Responsibilities of Funding Banks***

We firmly believe that increasing the Bank's authority and oversight would result in a usurpation of our Association's board governance and have unintended negative impacts on our current YBS efforts. FCA emphasizes that all system boards of directors are responsible for (1) ensuring mission achievement, (2) providing business planning and strategic direction, (3) making policy, and (4) providing oversight. These are fiduciary duties. Our board of directors actively engage in strategic planning and are aware of the mission to serve our young, beginning, and small farmers and ranchers. Who better than the people who were once beginning and young farmers and ranchers to understand and provide unique insight as to their rural communities and how to best serve each market. Placing this oversight in the hands of funding bank employees who are located wholly outside of our lending territory diminishes the purpose of having a board of directors that live and thrive in our rural communities.

What happens if Texas Farm Credit Services' board of directors approve a YBS strategic plan, but our funding bank does not? Does the funding bank have ultimate control over each of its Associations' strategic efforts? Does giving one entity ultimate veto power over a variety of associations who each serve different markets and have different resources in the end completely stifle innovation? At the very least this proposed change creates a sense of ambiguity as to who is truly in charge of the associations' strategic planning efforts and at worst, combines this lack of understanding with oversight by a few funding bank employees who may not have a true understanding of the needs in our specific communities.

### ***Rating and Evaluation System***

Texas Farm Credit Services would reiterate the FCC's commentary relating the rating system that is not adequately disclosed in the proposed rule. The System must have an opportunity to understand and comment on the specific nature of the rating system. A rating system in certain circumstances can be beneficial, unfortunately, the Farm Credit System and its members are so diverse and there is not a one size fits all approach to apply to the associations or the farmers and ranchers and rural communities we serve. Trying to apply an exact finite set of rating criteria could potentially force associations to abandon innovative approaches to reaching the young, beginning and small farmers and ranchers in favor of those that "score" well.

### **Conclusion**

Texas Farm Credit Services believes in the mission of serving our small, beginning and young farmers and ranchers throughout our territory. These producers are the future of agriculture and it is imperative that we provide the tools, whether financial, educational, or mentorship, that they need to succeed and flourish in our rural communities. As is evidenced herein, Texas Farm Credit Services keeps this mission at the forefront throughout its strategic business planning and dedicates both financial and human resources to serving the small, beginning, and young farmers and ranchers. Unfortunately, the proposed YBS rule does not seem to further this mission and could have the unintended consequences of interfering or moving resources away from the farmers and ranchers to focus on more internal reporting and analysis. Because of this, Texas Farm Credit Services respectfully requests that the proposed YBS rule be rescinded.

Texas Farm Credit Services supports continued discussions on ways to communicate effectively the expansive efforts currently takes to support our small, beginning, and young farmers and ranchers. Regardless of whether the activities we participate in result in revenue to Texas Farm Credit Services, the value to our agricultural community to continue to promote agriculture for future generations cannot be measured. This is one of our core objectives and we applaud FCA in its support of these efforts.

Respectfully submitted,



Mark A. Miller,  
Chief Executive Officer