



August 12, 2022

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

Re: Notice of Proposed Rulemaking – 12 CFR Parts 614 and 620 – RIN 3052-AD54; *Loan Policies and Operations*; 87 Federal Register 36261-36266

Dear Ms. Agans:

On behalf of Horizon Farm Credit, we appreciate the opportunity to comment on the Farm Credit Administration's (FCA) Notice of Proposed Rulemaking regarding Loan Policies and Operations (YBS Proposed Rule or Proposed Rule) published in the Federal Register on June 16, 2022.

Staff from Horizon Farm Credit participated in a system-wide work group to discuss the challenges and concerns of the Proposed Rule and its impact on Farm Credit associations. We echo the comments made by the Farm Credit Council (FCC) in regards to this Rule and want to use this opportunity to discuss the areas we find problematic, and also highlight the good work we are already doing in regards to lending to new, beginning and small farmers.

Horizon Farm Credit and its predecessor Associations long ago recognized young, beginning and small farmers (YBS) as a critical part of our mission to serve rural communities and agriculture. Helping this specific demographic is central to our lending activity in our footprint and we will continue to invest human and financial resources to create tailored products and educational programming for YBS farmers. Agriculture in our service territory and across the country can only succeed if there is a new generation of agriculture professionals, entrepreneurs and first-generation risk takers willing to step forward and create new farm enterprises.

Horizon Farm Credit joins with the FCC and Associations across the system to respectfully request that the Proposed Rule be withdrawn, as we do not believe the agency's rulemaking will result in enhanced service to YBS farmers. Instead, we believe this Rule and subsequent regulations will simply result in the creation of a compliance framework that could divert time and resources from our fundamental mission of serving the unique needs of these farmers. We join the FCC in offering to collaborate with the FCA to develop additional tools and more flexible risk parameters for making loans and investments with YBS farmers as opposed to the framework of regulations outlined in the Proposed Rule.

#### Concerns over Creating YBS Rating System

Horizon Farm Credit supports the concerns brought up by the FCC in its comment letter, but there are a few issue areas that we want to draw particular attention to. The implementation of a rating system for YBS activities across all Farm Credit institutions will not likely result in



achieving the overall goals sought by the FCA as it applies to improving YBS borrowing. The Proposed Rule lacks specific clarity to determine how such a rating system would impact individual Farm Credit associations, the System as a whole, and most importantly - our borrowers. We are asking the FCA to not move ahead with the proposed rule until there is greater detail of the rating system with the ability for associations to comment on the proposal.

Central to this Proposed Rule is the concept of System funding banks approving associations' YBS strategic plans and development of a rating system to benchmark our year-over-year progress. The Proposed Rule lacks specific details as to the hallmarks of what makes a successful YBS program, nor a full disclosure of what such a rating system will look like. It makes it complicated to comment on this aspect of the Rule without a full and complete understanding of the metrics that we and other associations will be held to.

Horizon Farm Credit uses the USDA's census of agriculture to create a demographic profile for agriculture in our region. In particular, it is how we determine the success of our market penetration with farmers who meet the demographic profile of young, beginning or small farmers. This data is updated every five years, so it will be complicated to build a year-over-year rating to measure success when the underlying data is updated only twice a decade.

At a minimum, loan volume should not be the sole criteria that composes a YBS rating. The cyclical nature of agriculture does not lend itself to predictable year-over-year growth opportunities, particularly for those who are just starting their business ventures. Market downturns, or one bad crop year, can curtail buying and expansion opportunities that might have been funded through Farm Credit or other institutions.

It is not conceivable that agriculture will see year-over-year growth in the sheer number of farmers who fit into young, beginning or small categories. Horizon Farm Credit is committed to doing our part to make sure that youth are aware of the excellent career opportunities that exist in agriculture. Agricultural education and youth development have been key facets of our past, present, and future efforts supporting the communities we serve. Despite those efforts we know that not every student exposed to these opportunities will pursue careers in this field, nor take on the role of participating in production agriculture.

An area that has seen opportunity for growth in recent years is urban agriculture and, given our footprint, Horizon Farm Credit is well positioned to help producers engaged in this dynamic space. Last year, we donated \$20,000 to the Pennsylvania Department of Agriculture's Urban Ag Infrastructure Grant Program and over the past several years have been actively supporting urban ag legislation and programming in Maryland. Additionally, our loan officers continue to look for opportunities to finance the land, equipment and other infrastructure needs of urban farmers through outreach to and engagement with urban ag organizations across our footprint.

We have significant concerns about the imposition of the development of a separate YBS strategic plan. Our performance in serving YBS farmers, including total number of loans and overall loan volume, is already reported in our annual reports and quarterly to our board of directors. The proposed rule calls for the collection of data to determine overall program efforts



and the results of new and expanded credit offered to YBS borrowers. Altering the tracking, monitoring, and reporting of this data will be an intensive enterprise and will likely result in the need for us to implement new system and auditing provisions. It also creates an open-ended question: how is effectiveness determined? Would our funding bank now be in a position to make this determination? Would this result in associations offering the same program across the district in order to be in compliance with our funding bank, rather than building individualized programs better tailored to the needs of farmers in our community?

Numbers and data often fail to capture the true impact of our support for YBS farmers. What truly paints the picture are the stories of the borrowers that we have helped get started and find success in agriculture. It's the loan officers who build long-term relationships with their customers. It's the employees who work for Horizon, and go home at the end of the day to tend to their own farm businesses. It's the professional referrals we make to help families with the complexities of farm transitions. It's the educational resources we provide to the community and the collaborative relationships we cultivate with partner organizations like Farm Bureaus and our land-grant universities that truly encapsulate our commitment to YBS farmers. None of those factors can be translated into a score. Nor is it fair to compare the work of one Farm Credit association, against another. Our job as Horizon Farm Credit is to meet the needs of borrowers in the 100 counties we serve—and in particular provide lending services that help the next generation get their start. Their needs, struggles, challenges, and opportunities can vary widely from state to state and community to community. Establishing rating systems for each institution could lead to unfair comparisons between Farm Credit associations and leave viewers with the incorrect impression that one association is doing a better, or worse job in comparison to their peers.

### YBS Lending Across Horizon Farm Credit

As you are aware, Horizon Farm Credit formed as the result of the merger between MidAtlantic Farm Credit and AgChoice Farm Credit on July 1, 2022. Data presented here is culled from both legacy associations. However, the concerns and issues raised here, along with the narrative about Horizon Farm Credit's approach to YBS farmers, is shared by the Board and management of Horizon Farm Credit. Additionally, lender stories shared below are from borrowers who were financed by the legacy associations, yet clearly represent the commitment that Horizon Farm Credit has to the future generation of agriculture in our footprint.

Horizon Farm Credit has more than 22,000 borrowers in 100 counties in Delaware, Maryland, Pennsylvania, West Virginia and Virginia, with a loan volume of \$5.6 billion. Agriculture in these states is quite diverse, but often having historic points of strength, such as poultry on the Delmarva Peninsula, or dairy in Pennsylvania. Agriculture is, however, a dynamic industry and it continues to change in our region, in particular the growth of local foods and direct-to-consumer sales. Given our proximity to major urban markets, this type of agriculture can often be an entry point for new and beginning farmers and Horizon Farm Credit staff are well positioned to support these new producers.



Additionally, Horizon Farm Credit created a new position specifically dedicated to enhancing our young, beginning, and small farmer programming and member education resources. That is one of the advantages of the merged association—being able to offer more in-depth, comprehensive resources to better meet the needs of our diverse borrowers. Our focus will be to make sure that we have the loan products that best meet the needs of YBS farmers, provide resources to help them get started, and partner with organizations to collaborate to support the next generation of agricultural professionals. We offer a premier financial educational program that reaches nearly 200 YBS farmers each year, networking opportunities for producers, and online resources including a private Facebook group for YBS producers in the Mid-Atlantic region as a place for them to build, network and share ideas. Horizon Farm Credit also regularly supports events and programs offered by partner organizations targeted at YBS farmers, including networking events held during National Ag Week, reaching more than 125 customers and prospects.

At the close of 2021, both legacy association achieved internal goals of growing the total number and overall loan volume to YBS farmers:

Young farmers: 6,432 loans with total loans outstanding value of: \$1,006,951,000

Beginning: 8,579 loans with total loans outstanding value of: \$1,527,883,000

Small: 15,251 loans with total loans outstanding value of: \$1,906,905,000

Behind every one of those numbers is the story of a borrower who is living out their dream of being involved in agriculture. We feel privileged to play a part in helping them get started and cheer on their success into growing their business.

### Stories of Success

Our footprint is really a microcosm of the diversity of agriculture on the national stage. Within our 100-county service territory our YBS farmers face different challenges. Our loan officers and sales teams live in the communities they serve, many have farms of their own, and are tuned into the needs of the broader ag industry. That allows us to better tailor products and services to meet regional needs. Additionally, we have worked with state governments in our footprint to craft incentive programs aimed at assisting the next generation get their start in agriculture.

Farming on the Delmarva Peninsula is dominated by grain and poultry farming. Thanks to the integrated model, poultry is often an excellent entry point for beginning farmers who may not have the experience, but certainly the desire, to become successful producers.

We were able to provide a loan to and work with a first-generation farmer to establish her own poultry farm. She was a well-respected Extension educator with experience in the poultry sector, but had never owned a farm of her own. Knowing her background and education, Farm Credit has worked with this first-generation farmer throughout the life of her loan, coaching her through necessary upgrades to her facility and conservation practices that she wanted to install on the farm.



Horizon Farm Credit was able to help a young Delaware farmer acquire an 80-acre farm that he had intended to use for growing organic grain. We were able to partner with the Delaware Young Farmers program to help facilitate the purchase of his farm. Since then, our relationship has grown with him as the farm has grown in size and scope, assisting with operating lines and equipment for a grain hauling business that he recently started.

Our footprint is home to numerous major urban markets, creating an excellent opportunity for first-generation farmers who are interested in direct sales. A young Maryland mother, with no farm background, was inspired to start her own organic farm, growing fresh vegetables in the suburbs of Baltimore. She began as a community supported agriculture (CSA) farm, and branched out to selling produce to nearby restaurants and hotels in the Baltimore and Washington D.C. metro area. When it came time for her to purchase land of her own, she came to Farm Credit with a detailed business plan and a firm vision for growth. She now has 15 employees and has managed significant growth due to increased consumer demands for local foods during COVID-19. Throughout her growth, Horizon Farm Credit has been a resource to this farmer, understanding the cash-flow and cyclical nature of her business and last year, we recognized her efforts with a “Farmers on the Rise Award,” which included a \$10,000 to assist in growing her business.

Pennsylvania has an excellent history of strong forestry stewardship, and is known nationwide for growing exceptional Christmas trees. A Pennsylvania couple used Horizon Farm Credit to finance the purchase of a 36-acre Christmas tree farm. These young farmers had careers in financial management and information technology. But after coming across a Christmas tree farm for sale in rural Pennsylvania, they decided to take a chance at farming. Working with Horizon Farm Credit, they purchased the farm and started planting a new crop of trees. Along with offering direct sales, they have also planted a new crop for the landscape industry. The couple took advantage of our AgBiz Masters program which teaches business and financial management skills to aspiring agricultural professionals. The couple is now in their third season of selling Christmas trees and last year received a \$10,000 grant through our “Jumpstart” program in recognition of their excellent business management skills.

Pennsylvania is home to a significant dairy industry, but anyone associated with the sector knows it has gone through its fair share of challenges in recent years. Despite those many challenges, there continues to be interest from a new generation wanting to step in and work in dairy. Horizon Farm Credit was able to help a young couple get a loan in order to purchase their first dairy farm. They’ve been steadily making improvements in terms of efficiency and infrastructure and their loan officer has been with them to make suggestions and provide guidance and perspective all along the way.

These are the types of borrowers that we work with daily and are emblematic of our commitment to meet the needs of the next generation in agriculture. We believe the Proposed Rule represents a solution in search of a problem. Horizon Farm Credit has a demonstrated track record of providing resources tailored to YBS farmers and a dedication to servicing the unique credit and financial needs of these borrowers.



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While perhaps well-intentioned, we do not believe the FCA's proposal will result in improved services to or outcomes for YBS borrowers. Instead, the likelihood for formulaic, one-size-fits-all programming would limit collaboration and stymie the innovation that is a hallmark of Farm Credit's approach to serving agriculture and rural communities within their footprints. For the reasons stated herein we respectfully request the withdrawal of the Proposed Rule.

Thank you in advance for your thoughtful consideration of our comments. If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

THOMAS H. TRUITT, JR  
*President and CEO*