



# FARM CREDIT EAST

240 South Road, Enfield CT 06082-4551  
800.562.2235 | 860.741.4376 | FarmCreditEast.com

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:

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. Farm Credit East, ACA (“Farm Credit East” or the “Association”) fully supports the directive of the Farm Credit Act to “furnish sound and constructive credit and related services to YBS farmers and ranchers”. Farm Credit East has several concerns, however, about the negative impact the Proposed Rule will have on YBS programs, both at Farm Credit East and across the Farm Credit System (the “System”).

Farm Credit East has a number of existing programs to support YBS producers, some which may be similar to others across the Farm Credit System but others that are unique. One of Farm Credit East’s overarching concerns with the Proposed Rule is that it does not take into account how associations such as Farm Credit East tailor their programs to address the unique challenges and characteristics of their markets. Farm Credit East is also concerned with the administrative burden that will be caused by the funding bank oversight and reporting provisions of the Proposed Rule, as Farm Credit East does not believe said requirements will further the System’s mission of supporting YBS producers. Accordingly, **Farm Credit East writes in support of the Farm Credit Council’s request that the Proposed Rule be withdrawn.**

**I. YBS Initiatives at Farm Credit East**

**a. Lending Activity to YBS Producers**

Farm Credit East has undertaken significant initiative relative to YBS producers. Farm Credit East serves New York, New Jersey and the six New England states. Farm Credit East’s and Yankee Farm Credit’s (the Associations merged January 1, 2022) 2021 Quantitative Reports to the FCA demonstrate that both of our predecessor associations have engaged in significant YBS lending activity. In 2021, the Associations made 1,141 new loans to young farmers totaling approximately \$304 million in loan commitments, 1,817 new loans to beginning farmers totaling approximately \$489 million in loan commitments and 1,912 new loans for about \$395 million in loan commitments to small farmers, keeping in mind that individual loans may be counted in multiple categories.



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From a governance perspective, YBS activities at Farm Credit East are overseen by the Board of Directors' Governance/Stewardship Committee, which receives quarterly updates on YBS and related activities, which are then shared with the full Board as part of the Committee's report.

An important aspect of Farm Credit East's grassroots involvement is our local Customer Service Councils. Each branch has representatives that serve on a local council which provides valuable feedback on Association operations and local industry conditions to the management team and Board members who participate in the meetings. This feedback is then provided to the full Board. Recently, Farm Credit East has added designated young producers to local councils who will also serve on an Association-wide Young Producer Council to provide input on YBS programs and related issues both locally and Association-wide

In describing Farm Credit East's YBS programs, there are a number of points to keep in mind. Northeast agriculture is very diverse. That diversity is reflected in our membership, as we serve customers large and small, conventional and organic, and wholesale and direct to consumer, among other notable and varied borrower characteristics. As a result, our YBS programs also serve a broad market, from the next generation on existing farms to those new to agriculture, recent immigrants or first-generation Americans, as well as those farming in non-traditional areas (e.g., urban settings) or using non-traditional practices.

Our territory includes some of the largest metropolitan areas in the country, so there is a growing interest in urban agriculture, and many operations have short supply chains and/or a retail component. Given the demographics of existing agricultural producers in our region, our YBS programs and activities are a key part of our outreach for diversity and inclusion strategy.

In addition to credit or other forms of financing, many of our programs are focused on training, education, and helping YBS producers develop the financial and other management skills needed to be successful. In fact, many YBS producers are more interested in receiving the expertise and other financial services we provide than financing.

In serving the YBS market, there is a robust network of service providers and organizations in our region, so many of the programs are delivered in conjunction with partners as described in the comments that follow. This list is not intended to be an exhaustive list but instead illustrates the diverse types of programs and outreach we employ.

**b. FarmStart, LLP**

Though not technically part of YBS lending, one way Farm Credit East invests in the success of YBS producers is by partnering with other System institutions (currently, CoBank, ACB) to manage FarmStart. Established in 2005, one of the original goals for FarmStart was to provide working capital to young and beginning producers who might otherwise be forced to incur high-rate credit card (or other) debt. As such, FarmStart provides investments up to \$75,000 for promising young producers who might not qualify for traditional credit.

Another key component of the FarmStart program is helping producers develop financial management skills. Cash flow budgets are required as part of a FarmStart application, and each producer works with a trained advisor who checks in with the producer throughout the year. In the 15 years since the program was created, FarmStart has made more than 350 investments for over \$16.5 million.

The goal for FarmStart investments is that producers will pay off or refinance the investment within 5 years. Despite the higher risk these investments carry compared to traditional loans, the track record has been very strong with many graduates transitioning to traditional Farm Credit East loans upon graduation the FarmStart program.

Recent examples of FarmStart investments include:

- A \$36,000 investment to a recent graduate of SUNY Cobleskill to purchase equipment for the hay production operation he is taking over from his uncle on a former dairy farm in New York's Hudson Valley.
- A \$75,000 investment for a lobsterman on the Maine coast. He currently works as a sternman for other fishing operators but is looking to expand his own fishing business. He has permits for 300 traps and is planning to use the bulk of the investment to purchase a 40' lobster boat.
- A \$15,000 investment for a former chef in the Southern Adirondacks. In addition to a Community Supported Agriculture (CSA) program, her main business is setting up and planting raised bed gardens and helping customers care for the gardens during the growing season.

**c. YBS Incentives**

Another key component of our YBS program is providing discounts to YBS producers for Farm Credit East's financial services. Discounts are available for a number of our financial services such as tax preparation, recordkeeping, business consulting and appraisal, as well as discounted fees to attend the GenerationNext training program described below. Farm Credit East may also pay the fee for USDA Farm Service Agency loan guarantees for YBS producers. In 2021, incentives totaled just under \$300,000 for the year.

We view these incentives as an important complement to extensions of credit or FarmStart investments. Encouraging the use of our financial services helps YBS producers remain in compliance and develop strong financial management skills.

**d. GenerationNext/Harvesting a Profit**

As noted above, our GenerationNext program is designed to coach YBS producers on a variety of business topics including marketing, finances, human resources, and risk management. Although historically taught in-person over three half-day sessions, GenerationNext was modified to a virtual program comprised of eight sessions due to COVID. While the virtual setting lacked some of the networking benefits, it made the program accessible to participants over a wider geography.

In 2021, there were two in-person sessions with 34 participants and a virtual cohort of 20 over the winter of 2021-22. In addition, we partnered with the University of Maine to offer the class to 12 individuals in the spring of 2022 and will be partnering with the Empire State Forest Products Association to deliver the program to YBS forest products producers.

Some of the lessons and activities used in GenerationNext can also be found in Harvesting a Profit, a business management curriculum that Farm Credit East developed and makes available at no charge to other organizations (e.g., technical assistance providers or their extension) as a resource for teaching their own classes.

Finally, Farm Credit East also has a program called Agricultural Leadership and Excellence, where Farm Credit East will pay up to 50% of the cost to attend continuing education or leadership programs such as the Lead New York food and agricultural leadership program, management programs from Cornell University's Pro-Dairy program, or the Young Apple Leaders program from U.S. Apple.

This year Farm Credit East launched a digital campaign to promote awareness of these programs on a quarterly basis, highlighting our YBS incentives, GenerationNext, and FarmStart throughout 2022.

#### **e. Scholarships and Other Educational Support**

There are other ways Farm Credit East supports YBS producers even before they become YBS producers through the Association's support of agricultural education.

Farm Credit East supports FFA, both regionally and locally, and has also developed a relationship with the Curriculum for Agricultural Science Education (CASE), a project of the National Association of Agricultural Educators intended to enhance secondary agricultural education with STEM-based, hands-on inquiry-based learning. Several years ago, Farm Credit East and an affiliated memorial fund provided over \$300,000 for the development of the CASE Agricultural Business Foundations course to complement other CASE offerings like Introduction to Agriculture, Food and Natural Resources, Plant and Animal Science, etc. Since the course was developed, 996 teachers have been certified nationwide, including 78 in the Northeast.

Farm Credit East also provides scholarships for teachers to attend CASE institutes where they receive training on delivering CASE courses, with over \$25,000 in support in 2022 and 120 teachers supported in our region since 2016. In addition, Farm Credit East also provides FFA students scholarships for their Supervised Agricultural Experience (SAE) projects, and in 2022 has awarded \$10,000 to 20 students.

Each year Farm Credit East provides scholarships to students in our territory who plan for careers in the industries we serve. In 2022, we will be providing 38 recipients with \$1,500 scholarships, plus four "futures" scholarship winners for students planning a career in production agriculture for a total of \$65,000.

#### **f. Partnerships and Outreach**

As mentioned earlier, one of the ways Farm Credit East leverages its efforts to support YBS producers is through partnering with other organizations. The Association's partnership with the University of Maine is a good example, but there are numerous others, three of which are listed below.

- **American Farmland Trust** - Farm Credit East has partnered with American Farmland Trust (AFT) in a number of different ways including helping AFT create a land access and generational transfer course to help YBS producers find land to farm. The Association is also working with AFT on its New England Farmer Microgrants Program to provide bridge funding for limited resource YBS producers who cannot cash flow their AFT grants on a reimbursement basis.
- **GrowNYC** - GrowNYC runs Greenmarkets which consists of more than 50 farmers markets across New York City. These farmers markets are an important market channel for many YBS producers and provide food access throughout the city. Farm Credit East has provided financial support to GrowNYC and has helped finance the development of its wholesale farmers' market which will provide greater access to the New York City market for small and medium-sized producers.

For many years Farm Credit East staff have helped teach GrowNYC's FarmRoots class, and in 2022 conducted a session on "Business Basics and Access to Credit for Beginning Farmers" in the Hudson Valley, a session for both English and Spanish-speaking farmers that was simultaneously translated into Spanish.

- **Knox, Inc. (Hartford, CT)** Farm Credit East has also partnered with Knox Inc., providing grants and other support for its urban farming and incubator program. In 2021, Farm Credit East supported Knox’s successful application for the USDA Beginning Farmer and Rancher Development Program and delivered the “Business Basics and Access to Credit for Beginning Farmers” to participants in its incubator program.

Other groups Farm Credit East has partnered with to deliver beginning farmer business basics and/or access to credit programming in 2021-22 include:

Connecticut Farm Bureau Young Farmers	Connecticut new Farmers Alliance
Harvest New England	Massachusetts Farm Bureau Young Farmers
New Entry Sustainable Farming Project	Northeast Grainshed Alliance
Northeast Organic Farmers Association – CT & RI	Northeast Organic Farmers Association – NY
Rhode Island Farm Bureau Young Farmers	Rhode Island Sheep Cooperative
Tufts University/Virginia Tech webinar	University of MA Extension fruit & vegetable program
University of MA aquaculture program	Worcester County (MA) Conservation Districts sponsored Farm Credit East webinar

**g. Grants and Sponsorships**

Another way that Farm Credit East supports YBS producers is financial contributions to YBS organizations and the projects and events they sponsor. Some sponsorships are direct from Farm Credit East while others are funded through the Farm Credit Northeast AgEnhancement Grant (“AgEnhancement”) program, another joint effort of CoBank and Farm Credit East. For 25 years, AgEnhancement has provided more than \$3.0 million to more than 1,000 projects that promote and support Northeast agriculture, including many projects benefiting YBS producers.

In 2021-22, some of the agricultural education and/or YBS-focused organizations, projects, programs, and events funded by Farm Credit East or AgEnhancement include<sup>1</sup>s):

- American Farmland Trust - land access and transition program for non-operating landowners
- Annie’s Project - business training for women in farming (Broome Co., NY)
- Boston Farms Community Land Trust’s Collaborative Regional Alliances for Farmer Training (CRAFT) - peer training program for urban farmers in the Boston area
- City Green, support for establishing a Northern New Jersey chapter of the National Young Farmers Coalition
- Eastern Rhode Island Conservation District - beginning farmer pilot plots
- Foodshed Alliance Sustainable Agriculture Enterprise (SAgE) - program providing access to beginning farmers on preserved farmland (NJ)
- Gardening the Community - urban agriculture program (Springfield, MA)
- Greater Bridgeport (CT) Opportunities and Industrialization Center, Inc. - urban agriculture and farming training program
- Green Village Initiative - urban farming class (Bridgeport, CT)
- Groundswell Center for Local Food & Farming - immersive farmer training program and workshop series (NY)
- Grinspoon Foundation Beginning Farmer Awards (Western MA)

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<sup>1</sup> Note that this list is not exhaustive, as it does not include a number of more youth-oriented programs.

- Holstein Association Young Dairy Leaders Institute
- Hudson Valley Young Farmers Coalition summer networking events
- Intervale Center beginning farmer coaching and land access planning (VT)
- New York Farm Bureau Young Leaders Conference
- Northeast Farmers of Color Land Trust - support for BIPOC farmers involved in planning peer education programs and workshops
- Northeast Organic Farming Association (NOFA) New Hampshire Collaborative Regional Alliances for Farmer Training (CRAFT) peer training program
- Northeast Organic Farming Association (NOFA) Vermont Farm Beginnings and other beginning farmer development programs
- Organization for Refugee and Immigrant Success (ORIS) farm incubator program for immigrants and refugees (NH)
- Providence Farm Collective - urban farming program supporting underserved farmers (Buffalo, NY)
- ReGenerative Roots Association - farm incubator program (NH)
- Somali Bantu Community Association - farm supporting recent immigrant farmers (ME)
- The Carrott Project - tailored training program for BIPOC farmers (New England)
- The Ecology School - support farm apprenticeships, community network and collaboration (ME)
- The Urban Farming Institute of Boston - support for urban farming training program
- Unadilla Community Farm Education Center - providing Food Safety Modernization Act (FSMA) training for young farmers (NY)
- Vermont Youth Conservation Corps Food & Farm - program for the next generation of farmers

Another program that supports many YBS producers is Farm Credit East's Farmers Market grant program. In 2022, Farm Credit East provided grants to 85 farmers markets and farmers market organizations totaling approximately \$50,000. Farmers markets provide an important market outlet for many YBS producers and serve as an important source of fresh local nutritious food for consumers in the region, including those in underserved areas which get a priority for funding.

## **II. Farm Credit East's Concerns with the YBS Proposed Rule**

As demonstrated above, Farm Credit East dedicates considerable efforts and resources toward serving its YBS producers, including direct financial support, training, and collaboration with and support of partner organizations. By its terms, the Proposed Rule does little to enable Farm Credit East to increase efforts in this regard. Rather, the Proposed Rule imposes significant administrative burdens which will require resources to be diverted from the direct support of YBS producers in order to comply with the various provisions of the Proposed Rule.

The Proposed Rule's means for achieving its goal of reinforcing the supervisory responsibilities of the funding banks are problematic. Under the structure of the System today, the appropriate role for funding banks with respect to YBS lending activities is to ensure that its affiliated associations' actions do not create undue risk to the collection of its direct loans to the associations and to gather YBS data in order to report consolidated district data to the FCA. The Proposed Rule, however, far exceeds that function by requiring that an association's funding bank annually review and approve the association's YBS strategic plan. Such a requirement will essentially result in needless double scrutiny of YBS programs – once by an association's funding bank, and again by the FCA. Additionally, because funding banks do not engage directly with YBS producers, funding banks do not hold the requisite local market knowledge of their associations' territories to provide meaningful review of these strategic plans.

The Proposed Rule's provisions concerning associations' YBS strategic plans are also problematic and will undoubtedly result in additional administrative burden without any corresponding benefit. The requirements surrounding the strategic plan appear to be aimed at institutions without robust YBS programs. Rather than more appropriately addressing those institutions with inadequate YBS programs through the examination process, the Proposed Rule instead paints with broad strokes and gratuitously sweeps in those associations that are already effective in this area.

Farm Credit East currently includes information on its YBS activities within its annual business plan. These business plans necessarily analyze both past performance and potential and direction for future performance. As such, the substantive goals of Proposed Rule's strategic plan requirements are already being met. Requiring associations to create and submit separate YBS strategic plans – particularly during the 30 days after each calendar year when significant resources are already being dedicated to other year-end requirements – is burdensome.

Additionally, Farm Credit East echoes the Farm Credit Council's concerns with respect to the Proposed Rule's undisclosed rating system. Without any information concerning the details and specifics of the proposed rating system, it is impossible for the System to effectively analyze and comment on its structure. Arguably, any uniform rating system would be unable to take into consideration the impact each associations' vastly different markets have on their YBS programs. To that end, Farm Credit East shares in the concern that the undisclosed rating system will result in a regulatory regime with substantial impacts on an associations' public perception. Accordingly, without disclosure and the opportunity to review, Farm Credit East is unable support these provisions of the Proposed Rule.

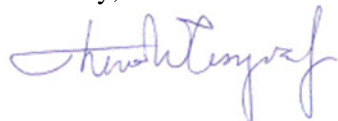
### **Conclusion**

Farm Credit East believes this wide array of approaches has been effective and necessary to serve YBS producers in our region. However, the Association is continually evaluating and adjusting these approaches to ensure we are meeting the wide ranging needs of our diverse region, including finding ways to increase our outreach for diversity and inclusion in our marketplace.

Given Farm Credit East's efforts in this area, Farm Credit East suggests that the Proposed Rule takes too broad an approach in solving a largely illusory issue. Farm Credit East therefore agrees with and endorses the comments of the Farm Credit Council with respect to its comment on the Proposed Rule's shortcomings and respectfully requests that the Proposed Rule be withdrawn.

We appreciate the opportunity to comment on this regulation and the FCA's consideration of our views.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas W. Cosgrove".

Thomas W. Cosgrove  
Executive Vice President