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August 12, 2022

Autumn R. Agans  
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

Director Agans:

Farm Credit of Northwest Florida, ACA appreciates the opportunity to respond to the Farm Credit Administration's ("FCA") request for comments concerning the proposed rule on Loan Policies and Operations, specifically addressing Young, Beginning and Small (YBS) activity ("Proposed Rule"), published in the June 16, 2022 *Federal Register*.

#### **General Comments**

At Farm Credit of Northwest Florida, our mission is to help rural America grow by supporting diversity and inclusion in agriculture. Our YBS Farmer and Rancher Program has two primary areas of focus:

- 1) Provide lending programs that benefit YBS farmers by meeting the credit needs of these agricultural producers to strengthen and preserve agriculture within our chartered territory; and
- 2) Support agriculture by spreading knowledge and understanding of how food and fiber are produced and agriculture's important role in both the local and global economy.

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.' Northwest Florida leans into its YBS program not only because it supports the Farm Credit Mission but also because it is in our long-term self-interest. As one of the smaller associations in the entire System and considering the unique characteristics of our chartered territory, a growing and vibrant population of Young, Beginning and Small Farmers and Ranchers is essential to our long-term viability. Considering the importance of YBS members to Northwest Florida, this letter highlights our progress and achievements with YBS borrowers and provides specific feedback on the proposed regulation.

#### **Outreach and Programs**

The foundational principles of our YBS program are to **listen** to the concerns and the needs of the agricultural community, to **respond** by **teaching** what we learn by furthering educational opportunities, investments in sponsorships and joint initiatives, and ensuring robust lending programs.

**Listen & Respond:** In addition to input from our YBS prospects, borrowers, and agricultural partners who share our desire to advance the needs of YBS farmers and ranchers, the Association has a YBS Farmer Advisory Committee. The YBS Advisory Committee is comprised of YBS farmers and ranchers, others with a special interest or expertise in YBS issues (e.g., local educators, extension agents, etc.), and Association senior management. The committee has two key purposes: 1) communication and 2) training. The

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committee is a direct transmission pathway from our YBS Farmers and Ranchers to Association leadership. The purpose of this pathway is to communicate the "boots on the ground" perspective of our YBS members regarding their needs, concerns, and opportunities to the leadership of the Association. The YBS Advisory Committee allows the Association to gather information and create a network of advocates in the rural communities of Northwest Florida. The Board's YBS Advisory Committee provides input to help the Association understand the types of credit challenges faced by YBS producers and allows us to tailor direct lending and related service programs. The Association actively advances the educational arm of the YBS Program through sponsorships and participation in individual and joint endeavors. The Association researches commodity groups, producers, and affiliated agricultural businesses friendly to our YBS objectives, including those active in local food systems and food hubs. The programs enhance financing alternatives for a group of farmers growing in number but struggling to acquire financing, many of whom are YBS farmers.

The second key purpose of the committee is to train the next generation of leadership in our YBS population. The committee is structured similarly to the ACA's Board committees and, as such, gives members experience operating in this environment (e.g., committee charters, leadership, agendas, term-limits, eligibility requirements, financial analysis, exposure to the inner workings of a Farm Credit Association, direct interaction with ACA leadership, etc.). Northwest Florida's goal is to train the next generation of leaders, future ACA directors, and ambassadors for Farm Credit via this committee.

**Teach & Invest:** The Association participates in and financially sponsors numerous initiatives designed to educate about agriculture and its economic importance. These endeavors range from being an agricultural advocate in legislative circles to events for farming producers on pressing issues (e.g., new Government programs, disaster relief, the value of legislative affairs and how to advocate on behalf of agriculture, etc.), financial management, and events designed to promote knowledge of agriculture to the general public.

The Association's YBS Programs strategic objectives are to:

- Provide dependable and affordable direct lending programs for YBS farmers and ranchers;
- Complement direct lending with related service programs that add value;
- Identify, host, and support educational programs for YBS farmers and ranchers;
- Educate a broad audience about the importance of agriculture; and
- Form strong partnerships with others equally vested in the future of agriculture.

Below are some of the YBS activities and educational events we have hosted over the years. These events have led to our increased YBS loan numbers and loan volume.

- Crop Webinars - webinar with a local crop insurance company discussing the different policies available for commodities grown in Northwest Florida.
- Hurricane Preparation and Recovery Webinar Series - sponsored and promoted attendance for webinars about hurricane preparation for timberland owners.
- Ag Adventures – for over 14 years, we have sponsored the free educational program for first and fourth-grade students. The goal of this program is to provide a quality, hands-on educational experience for youth to learn what agriculture is, what it means to our community, county, and state, and to foster an appreciation for how the science of agriculture touches their everyday lives.
- Farming with Science (Spanish Version) - sponsored ten videos educating Hispanic farmers about plant pathology, direct marketing, and farm budget planning in partnership with the University of Florida's Institute for Food and Agriculture (IFAS) 's Coalition of Florida Extension for Latino Communities (CAFE Latino).

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- In cooperation with the USDA Risk Management Agency, sponsored several AgAware Financial Webinars on risk management. The comprehensive business and financial literacy workshops were designed to educate the next generation of socially disadvantaged, young, beginning, and small farmers.
- Sponsored several Holmes County Fun with Food and Reading - a program teaching healthy eating and snack choices while promoting reading.
- The Association participates in the Farm Credit Express & Farm Credit Leasing programs, both of which provide opportunities to YBS farmers for equipment financing with competitive rates and terms.
- The Association hosted a webinar with Dr. David M. Kohl to give an economic outlook for the agriculture sector since the COVID-19 Pandemic (e.g., the impact of COVID-19 on commodity prices, land values, trade impacts, lessons learned from the pandemic, how to work with your lender, etc.).
- The Association sponsored several 4-H leadership camp retreats.
- Highlighting our cross Association cooperation, we collaborate with Farm Credit of Florida and Farm Credit of Central Florida to sponsor the Future Farmers of America (FFA) State Convention annually plus offer grants to local FFA Chapters in the three ACA territories. Beyond monetary support, this group taught Farm Credit Leadership and Financial classes to the FFA.
- The three Florida Associations also collaboratively sponsor the annual Young Farmer & Ranchers (YF&R) Leadership Conference. This conference provides YF&Rs with practical tools and resources for their daily work while expanding their peer and professional network.
- The three ACAs worked closely with Florida A&M University (one of Florida's HBCUs) to host several financial workshops geared toward YBS and socially disadvantaged farmers.
- We collaborate with the University of Florida's Institute for Food and Agriculture (IFAS) on numerous events to educate small farmers on financial success for their farm and business planning.
- The Association collaborated with North Florida Financial Strategic Wealth Group to host education events about building wealth, farm succession, and estate planning. The seminars provided information on efficient forms of ownership, transitioning farm ownership to the next generation, securing critical employees in their operations, and accident protection on the farm.
- Identified youth agricultural events in the territory to promote our Youth Loan Program. The student agricultural project loans are used for the purchase and care of livestock for Vocational Agriculture, 4-H Clubs, and Future Farmers of America members.
- Since 2016, we have paid \$45,000 in scholarships under our AgVocator Scholarship program to students who demonstrate a commitment and passion for agriculture and rural America.
- The Association used its strength in legislative affairs to advocate on behalf of YBS and traditional members to address issues with local USDA Farm Service Agency Loan Officers – this outreach was critical for our YBS producers in the aftermath of Hurricane Michael.
- The Association co-hosted several National Black Growers Council (NBGC) Model Farm Series with Farm Credit Council (FCC). The Model Farms Series provides an in-field presentation of new crop-production technologies and practices relevant to current and future row-crop operations. Our association made financial presentations to attendees.
- Co-sponsored the Ag\$ave program with 15 different county extension offices to reach YBS and multi-generational farmers. This 4-part series provided personal finance education such as estate planning, succession planning, and protecting assets to Florida farmers, ranchers, and agriculture producers.
- Co-sponsored with Florida A&M University's The Annie's project, an educational program dedicated to strengthening women's roles in modern farm and ranch enterprises.

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## Testimonials

Farm Credit of Northwest Florida's YBS program is working. Though we have cataloged some of our efforts above, the story is best told by our young, beginning and small farmers and ranchers. Below are a few of their success stories:

**Young & Small Farmer** - At 23, this farmer was concerned about getting financing because he had little credit to his name. Here is his story: *"Starting as a young farmer, with little credit to your name, most banks don't want to loan large sums of money because of the risks involved."* "I shopped around a little bit," he admits. But in the end, Farm Credit of Northwest Florida was the lender for him. *"Farm Credit was familiar with working with young and beginning farmers, which drew me to them. At Farm Credit, I just felt at home."* He financed his first operating loan with Farm Credit, and from there, he worked to build up equipment at a reasonable interest rate. *"They work with you so much better than the regular ordinary bank. They empathize with farmers. They've been there. They've done it. Pretty much everyone there has grown up in an ag community,"* he maintains. The process was so easy that he returned to Farm Credit repeatedly. He's taken out an operating loan each year, allowing him the freedom to do all his daily work, including buying fuel and paying his help. *"Being a farmer, there are times where you might not want to use current cash and need some extra working capital to pay bills, and the operating loan helps us do that at the end of the month. It buys you some time until all your crops are harvested at the end of the year. That helps a lot."* In addition to his operating loans, he has also returned to Farm Credit for equipment loans. With Farm Credit's help, he purchased a tractor, a six-row planter, a six-row basket cotton picker, and two four-row peanut pickers. *"When you're a farmer if you don't have the right equipment, a job that should take you a day might take you three days."* He explained, that there aren't many young folks getting into farming these days, but he is one of them. He feels his experiences with Farm Credit are significant enough to recommend anyone to use Farm Credit as a lending option, whether they are just starting or have years of experience in agriculture. *"Farm Credit is willing to work with young people like me trying to farm from scratch,"* states this young farmer, now 30.

**Young & Beginning Farmer** - This farmer says surrounding yourself with good people beyond your own family is essential. *"There are so many variables in farming...it only takes one bad year to mess up, so you need to surround yourself with people who understand that about agriculture, especially when it comes to the people who loan you money,"* he advises. *"I saw that quality in Farm Credit."* When he met with Farm Credit several years ago, he says he knew he'd found a lender who "got farming." *"Some lenders you go to...they just don't get it,"* he observes. *"They don't understand what paying on farm plan is or why sometimes we have to ask for a couple of extra days to pay because we're holding onto the crop for a higher price. Farm Credit knows what's going on out in the fields. They know ag, so they know what you need. Everything they do and say is in your best interest. With all the ups and downs of agriculture, you and your lender become very close. My Farm Credit lender has been great to work with. I can sit down and explain what I need, and he and I can talk about how to make it work. He's a very professional guy."*

**Young & Small Farmer** - This farmer came to Farm Credit of Northwest Florida at 25 to help him purchase 20 acres. *"It was scary to walk into that Farm Credit office, but they welcomed me and really took the time to educate me on what it took to purchase a piece of property. I was so young and uninformed. It was very helpful."* Now an established farm owner, there was no question that he would return to Farm Credit for the loans to build his operation. He says borrowing money made him nervous, but he trusted his lenders. He recalls that day he walked into Farm Credit to present his ideas for an agriculture festival *"They believed in us. You're not going to walk into a bank and find the level of ag expertise that you'll find at Farm Credit or the kind of 'take your time' guidance that they offer. Everyone there has a connection to ag, and that's important because it's such a different kind of business...especially when it comes to cash flow. I also appreciate the fact that Farm Credit is customer-owned, so it's essentially a co-op. In our rural community, the co-op concept is one that we farmers understand and respect,"* he adds.

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**Beginning & Small Farmer** - This farmer, a Special Forces retiree, and his wife, an Air Force Captain, became owners of a loblolly pine forest. His wife was near retirement, and they wanted a large acreage homestead for agricultural activities. The couple planned to have a garden, black belly sheep, chickens, fruit trees, and timber. *"When we decided to buy land, we were going to do it all with cash,"* they recall. *"We had put ourselves in a position where we didn't really need to borrow, but after talking with Farm Credit, we realized the best financial move for us was to finance the property. We looked at other lenders, but we were just so impressed by the humble, no-frills people at Farm Credit."* The borrowers were unfamiliar with land costs, so they called Farm Credit before making the initial offer. *"The lender took time to look up some purchase history and realized we might be able to offer less. We went in a lot lower; they countered and then accepted our offer. Farm Credit gave us the courage to do it. The whole Farm Credit team has a helpful attitude. These professionals will walk you through things you don't understand. We felt we were asking dumb questions, but Farm Credit never made us feel that way. Throughout the process, the Farm Credit team was extremely patient with explaining everything."*

**Small Farmer** - This small farmer needed to purchase some hay equipment. He reached out to Farm Credit for a loan. *"I have bought other farm equipment through my bank, but it's easier to go through Farm Credit, and the interest rate is lower,"* he said. The ease of the Farm Credit Express program and the significantly lower interest rate had him coming back a second time in a year for an equipment loan from Farm Credit. *"With the Farm Credit Express program, you find the piece of equipment you want at the dealership, and all you have to do is sign the loan papers,"* he said. In today's age, where time is money, having a hassle-free loan experience was what this small farmer needed to allow him not to lose any time or money in the field. After a hurricane came through and blew his barn to pieces, he needed a barn built. This farmer was encouraged through the Farm Credit Leasing program because Farm Credit financed the barn at 100% upfront allowing him to hold onto his working capital. With the lease, he had to make annual payments on the barn, and he would get all the benefits of tax write-offs on the building that he would not have received if he had done traditional financing or paid cash. He loved that he could set the payments low and pay the loan down over time.

### **Proposed Rule Comments**

As a small association, we are concerned that the proposed regulation adds undue compliance and reporting burden, diverts resources currently targeted at YBS programs towards administrative coordination with the funding bank, and creates unintended consequences of designing programs aimed at maximizing a rating system rather than the specific and unique needs of YBS borrowers in our chartered territory. Further regulatory burden around YBS lending would distract from an otherwise productive and efficient method of providing mission-critical products and services to YBS customers. As shown in its outreach, the testimony of our YBS members complements over the years by our FCA Examination Teams and by our portfolio statistics, the Board and management of Northwest Florida think its YBS program is a success. In the context of this success, we do not believe additional regulatory or supervisory oversight will improve our performance in this area. On the contrary, given our limited resources as a smaller Association, our concern is complying with the new rule will take time, money, and human capital away from our currently successful YBS plan. The timing of the proposed rule is especially troublesome given the multiple agency rulemakings being finalized and the economic stress across our nation.

### **Funding Bank Oversight**

The proposed regulation requires Farm Credit funding bank oversight, including review and approval. Our lending team has the local market knowledge, and our team diligently seeks to determine what our YBS borrowers need and want from their lending institution. It is unreasonable to expect that AgFirst would understand the unique makeup and needs of YBS borrowers at each

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association across the District. Furthermore, increasing the administrative burdens placed on our funding bank would ultimately negatively impact our YBS borrowers by increasing their cost of borrowing and impairing our ability to provide credit to these borrowers as efficiently as possible.

### **Rating and Evaluation Process**

Measuring the success of our YBS program is important to Northwest Florida. Still, success through our program would likely look different than a successful program at a sister association. A rating system applied equitably across the System could encourage all programs to look alike rather than advancing creative solutions for unique territories and associations with very different needs and available resources. If YBS programs across the nation were similar, it would potentially limit how YBS producers are served rather than meeting the diverse and unique needs specific to an association's territory.

A rating 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 to avoid potentially negative supervisory consequences versus adapting, changing, or developing new programs to meet specific marketplace needs. A new program designed to meet an identified need with 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, adapt and innovate. Lastly, the proposed rule does not detail what the rating system will look like or how it will function. This lack of information makes it difficult to impossible for our Association to understand the full scope of the System and its impacts. As a smaller Association, we respectfully believe that our limited human capital is better invested in maximizing our current YBS program and addressing the credit needs of all members in our chartered territory rather than understanding and complying with a potential rating system.

### **The Proposed Rule and Small Associations**

The YBS programs of smaller associations must differ from those of larger associations. The FCA states that its intention for forming its permanent small association workgroup in early 2022 was to "understand those differences and to adopt policies that are appropriate for all stakeholders and are consistent with cooperative principles." However, the proposed changes to YBS regulations do not appear to incorporate this focus. Instead, the changes create a new, one-size-fits-all approach to YBS programs. Northwest Florida wholeheartedly supports any efforts by the Administration to apply a differential analysis to how it regulates smaller and less complex associations. Small Associations are the grassroots of the Farm Credit System because of our local membership, governance, and true cooperative structure. We "punch above our weight" in terms of local outreach and legislative affairs. A strong YBS program together with all efforts to rightsize regulatory oversight based on the size and complexity of the Association, are essential to the System keeping its crop of small Associations vibrant and healthy.

### **Farm Credit Council National Comment Letter**

Farm Credit of Northwest Florida has participated in dialog across the System. We fully endorse and support the letter, which the Farm Credit Council will submit on behalf of the entire Farm Credit System.

### **AgFirst Farm Credit Bank Comment Letter**

Farm Credit of Northwest Florida also fully endorses and supports the letter from AgFirst Farm Credit Bank.

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### **Conclusion**

Farm Credit of Northwest Florida believes that our commitment to agriculture's future is evident in everything we say and do daily. We appreciate the priority FCA has given our YBS borrowers because we believe they are integral to our Association's, the Farm Credit System's, and our nation's success. However, the regulations proposed would not accomplish the FCA's stated objectives. It is our opinion that the changes would have the opposite effect.

We appreciate the opportunity to comment on the Proposed Rule and to present our success in YBS lending. For the reasons outlined above, we agree with the System and respectfully request that FCA withdraw the Proposed Rule.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Gregory", is written over a horizontal line.

John R. Gregory, President/CEO