



August 11, 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:

AgTexas 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 (the "Proposed Rule").

AgTexas actively engages in fulfilling its mission to furnish sound and constructive credit and related services to young, beginning, and small ("YBS") farmers and ranchers. AgTexas' outreach and support of YBS producers includes a diverse offering of programs designed to help ensure the future viability of agriculture in our lending territory. These efforts are focused on helping YBS borrowers succeed in agriculture. Below is a brief overview of the programs and outreach sponsored by AgTexas.

- **Young Advisory Board:** The association established a Young Advisory Board in 2016 in part to gain more feedback in the YBS sector. The Young Advisory Board currently has seven agricultural producers representing our 43-county trade territory.
- **Lending Standards/Credit Administration:** Often, YBS borrowers do not have the financial strength or track record to meet our minimum underwriting standards. Programs such as the Farm Service Agency 90% guarantee program and the Texas Department of Agriculture 90% guarantee program are considered in conjunction with consideration of reduced underwriting standards to provide greater flexibility in terms and loan structure.
- **Consultation:** Loan officers take time to work with YBS applicants whenever necessary to explain the credit delivery process, prepare cash flows, and conduct enterprise analysis and break-evens. Through the production cycle, staff is available for consultation on decisions such as crop insurance needs, other insurance programs, hedging, and evaluation of

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projected operational performance. Often, our team will recommend other professionals such as the Extension Service and commodity marketing specialists to provide needed support to YBS Customers.

- Collaboration: The association will continue to utilize governmental programs (including FSA and TDA) and private sources and is willing to coordinate credit and services with other System institutions, as applicable. The association maintains an FSA Preferred Lender Status and an excellent working relationship is maintained with most FSA loan personnel throughout the territory.
- Tenth District Farm Credit Council's Young Leader Program: The association selects a representative to participate in the Tenth District Farm Credit Council's annual Young Leader Program. This group of Farm Credit stockholders from each association in the District possesses outstanding leadership potential. They travel to Washington, D.C., to interact with Farm Credit System leaders and decision-makers and meet with Congressional representatives on the Hill. Attendees tour the Federal Farm Credit Banks Funding Corporation.
- AgTexas Ag Youth of the Month Program: Implemented in 2015, the program purpose is to recognize and support Ag youth while building relationships within the communities we serve. This program will allow AgTexas to honor students who excel in the classroom and as leaders in their FFA chapters and 4H clubs. Each year during the months of November-April, 78 high school senior students will be recognized as AgTexas' Ag Youths of the Month.
- Extension Service and Other Educational Programs – through its support, the association encourages attendance at educational programs offered throughout the territory, both monetarily and through staff involvement. YBS customers normally attend these functions to learn about and stay up to date on the latest production technology. Programs added in 2016 include the Southwestern Cattle Raisers Ranch Gathering targeted toward young leaders in Central Texas as well as the Producers Trading Company marketing seminar.
- Junior Livestock Shows – both monetary and service time contributions are made to livestock shows around the area involving FFA and 4-H students. Many of these students come from agricultural families and will remain involved in farming and ranching in the future. In branch offices, staff members donate their time to help with the local shows and provide monetary support through purchase of animals
- TACC Meetings – each year the association participates in local events conducted by the Texas Agricultural Cooperative Council. These events are well attended by area YBS Agricultural Producers involved with their local cooperatives.
- Ag in the Classroom – The association began sponsoring this organization in 2008. Ag in the Classroom provides resource materials to teachers so that they can incorporate agriculture into their day-to-day curriculums.
- Ag in the Bag – Since 2004, the association has been a sponsor of this organization. The purpose of Ag in the Bag is to educate elementary aged children on the importance of agriculture.
- Farmer's Market Sponsorships – The association continues its effort to reach out to local markets through .

- Texas Tech MILE Program – The Matador Institute of Leadership Engagement is a program for undergraduate students in the College of Ag & Natural Resources that seeks to develop participants’ personal and professional skills while exposing them to the key issues affecting local, state, and national agriculture and policy. The program is designed to provide participants with a competitive edge when seeking career opportunities after graduation. AgTexas has committed \$90,000 over 5 years as a sponsor for the program’s South Plains and Panhandle ag tours. These regional tours are part of the MILE program’s premier travel experience that expose student members to each regions’ industry sectors and community leadership.

These programs are just a few examples of the commitment AgTexas employees and Board of Directors share for supporting YBS producers. Association gross portfolio and yearly lending goals are very strong and regularly met or exceeded. This is a result of both our continued efforts in supporting YBS borrowers and the diversified agricultural markets we have the privilege to serve.

After careful consideration and collaboration across the Farm Credit System, it is our association’s position that the Proposed Rule does not provide any additional means for accomplishing this mission, and in fact would hinder our association’s ability to accomplish that mission in several ways. As such, AgTexas FCS respectfully requests that the FCA withdraw the Proposed Rule for the reasons outlined below.

AgTexas FCS fully supports the comment letters submitted by the Farm Credit Council (“FCC”) on behalf of Farm Credit System institutions as well as comments submitted by the Farm Credit Bank of Texas in response to the Proposed Rule and wishes to emphasize, and add, the following comments, which are of elevated concern to our association.

Strategic Planning

The regulation requires associations prepare a 3-year YBS strategic plan, prepared and approved separately from the business plan already required. Creation of a YBS plan independent of the annual business plan requirement is unnecessary and redundant. YBS strategic planning is already a significant component of our comprehensive business plan required by existing regulation.

Furthermore, the proposed additional layer of funding bank oversight in this area (separate from the existing strategic business plan) creates a significant administrative challenge. Not only does the funding bank not have the knowledge to assess various association’s YBS plan performance qualitatively across numerous and diverse lending markets but would also then be forced to quantify benchmark type measurements across their lending associations to ‘approve’ or ‘disapprove’ the program strategies that are more appropriately designed by the staff and borrowers in those markets themselves.

Administrative Burden

As a practical matter, there are currently less than 15 working days for year-end YBS metrics to be gathered, utilized to report prior performance, utilized to project forward goal setting for the next three years, be built into a 3-year strategic business plan component, be published in advance for board of directors' review, and then hold a meeting of the Board of Directors to adopt the strategic business plan within 30 days of the calendar year end (assuming there are no required revisions). There is no reasonable way to insert an additional layer of funding bank approval of a YBS strategic plan in this timeline.

The proposed rule places more emphasis on administrative elements, than actual performance of the mission. The metrics and the means of gathering those metrics across the system is readily available, working, and already in place.

Rating System

AgTexas has beneficial relationships with other associations throughout the system that provide collaboration in several business segments. The continued collaboration efforts that have been developed organically over many years would be jeopardized by the proposed rating system. While affiliations outside the district might continue, the in-district relationships will suffer due to the over-chartering that exists. Forcing collaboration in areas of business development within the same market, especially when each association is being measured for effectiveness and compared against one another, will have the opposite of FCA's intended effect. The rating system (the details of which have not been disclosed) could incite competition rather than collaboration, which could ultimately impact the System's ability to provide sound and constructive credit to rural America.

Conclusion

AgTexas FCS encourages the FCA to withdraw the proposed rule. We further encourage the FCA to refine and improve the existing qualitative and quantitative surveys of association YBS activity. The effectiveness of our YBS programs is difficult to communicate to the FCA through these surveys. We acknowledge the interest and support FCA shares in advancing YBS efforts. Program effectiveness is best measured partly by data, and partly by the stories of real people – this is critical to the future of Agriculture.

Respectfully Submitted,



Kayla Robinson, Chief Operating Officer, AgTexas Farm Credit Services

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