



August 10, 2022

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

RE: Proposed Rule – *Young, Beginning, and Small Farmers and Ranchers* –RIN 3052-AD54, FR Vol. 87, No. 116
(Thursday, June 16, 2022)

Director Agans:

Northwest Farm Credit Services (Northwest FCS) appreciates the opportunity to comment on the Farm Credit Administration's (FCA) Proposed Rulemaking published in the June 16, 2022, Federal Register regarding young, beginning, and small farmers and ranchers (Proposed Rule).

While Northwest FCS is supportive of the FCA's efforts to ensure the availability of consistent and reliable sources of funding and educational resources for the next generation of producers, we have concerns that the current Proposed Rule creates an excessive regulatory and administrative burden that detracts from this initiative. The following provides specific feedback on the Proposed Rule, highlights issues or areas of improvement relative to the existing Young, Beginning, and Small (YBS) guidance, and provides an overview of Northwest FCS' efforts and activities to serve YBS producers through our YBS program, called AgVision.

Proposed Rule

Northwest FCS participated in a Farm Credit System (System) workgroup assembled by the Farm Credit Council (FCC) to review and evaluate the Proposed Rule, and for the reasons set forth within the FCC comment letter, we support their recommendations. The following sections provide our feedback related to the rating system, reporting and strategic planning and bank oversight components of the Proposed Rule.

Rating System

The Proposed Rule lacks sufficient detail for System associations to provide meaningful feedback. The design and implementation of a formal rating system without the input of those who will be tasked with fulfilling the YBS mission may result in unintended consequences.

A formal rating system naturally promotes a more competitive environment among System associations with the unintended consequence of discouraging collaboration and becoming an exercise of checking boxes. Additionally, a formal rating system forces compliance through increased administration versus fostering more significant engagement with broad groups of YBS producers and service providers.

Similarly, external agencies such as the Farm Service Agency (FSA) and other national YBS-related organizations will experience further time constraints when multiple associations request collaboration, particularly in over-chartered areas. Organic YBS collaboration is already underway, and associations do not have an adequate portal to highlight the depth of these efforts.

The system's current Financial Institution Rating System (FIRS) rating system is related to safety and soundness as a quantitative measure. As an added benefit, it indicates the strength of the association. The rating system of the YBS proposed rule has been compared to FIRS, yet it is based on qualitative measures. It will likely lead associations to focus on obtaining a higher score rather than maintaining flexibility to address the direct needs of YBS producers in their territories out of fear that unplanned adjustments will impact their rating. We request that the rating system, if one is required, be based on a standard and not one of a comparative nature.

Reporting and Strategic Planning

As the landscape of agriculture and its producers are rapidly changing, metrics for YBS lending need to be carefully considered. Qualitative metrics are complex to measure and quantify yet represent a level of investment in YBS producers that goes far beyond financials. We are pleased and proud to share our involvement in reasonable ways. We prioritize outreach and do not believe increasing data collection and reporting will provide more time or space to do this critical work in ways that make sense for our local communities based on their unique needs. Reporting and data collection efforts will be completed by the same individuals responsible for collaborating and coordinating existing outreach in our association. YBS outreach is a key initiative and area of focus at Northwest FCS. A strategic YBS Reaching Out Plan is documented at length throughout our current business plan. Weaving YBS information throughout the business plan was done intentionally to ensure that all stakeholders understand the importance of this YBS support. The Proposed Rule will separate YBS from the overall focus of the business plan and additional administrative compliance will take time away from the most crucial outreach or require the association to bring on another staff member for assistance.

Bank Oversight

We highly value voluntary collaborative efforts with our funding bank. One example is our JumpStart program which began in collaboration with CoBank. Additionally, we participate in their YBS Workgroup meetings to share YBS support efforts with other associations.

Our association possesses a deep knowledge and understanding of retail ag lending and the nuances of YBS producers and related groups in our diverse territory. Our territory contains many micro-markets with YBS influencers and dynamics that impact outreach. Our funding bank does not possess the same depth of knowledge of the varied dynamics in local YBS communities across our region. Our association strongly desires to lead these relationships without undue influence from those who do not understand local issues or how to meet the needs of diverse populations within our territory.

Existing YBS Guidance

General Comments and Definitions

Northwest FCS encourages updating existing YBS guidance to eliminate ambiguity and to more accurately capture the breadth and depth of the resources dedicated across the System to service this market segment. To create a meaningful benchmark to measure YBS activity across System associations, existing guidance needs to be refined to provide clear direction, especially when working with existing or prospective borrowers with complex entity and ownership structures. In addition to the feedback provided in response to the Advanced Notice of Proposed Rulemaking of Young, Beginning, and Small Farmers and Ranchers posted to the Federal Register on February 21, 2019 (attached as an addendum to this comment letter), Northwest FCS respectfully requests:

- Updates to the “beginning” definition contained in FCA BL-040 Revised, Providing Sound and Constructive Credit to Young, Beginning, and Small Farmers, Ranchers, and Producers or Harvesters of Aquatic Products, issued August 10, 2007, to clearly note the demarcation used for when a producer began farming independently. Existing guidance around YBS eligibility for reporting does not capture the prevalence of more nuanced situations, including limited part-time farmers, farm employee/managers, and children involved in family succession. An example of this includes a small farm comprised of three owners all of which have over twenty years of farming experience. One owner marries, and the spouse, an off-farm wage earner with no prior farming experience, assumes equal ownership in the operation. Existing guidance provided in this Bookletter highlights simplistic borrowing structures, which are outdated and do not reflect the existing YBS landscape.
- Clarity on expectations for YBS reporting related to part-time farmers. As a result of COVID-19, there has been a surge of aspiring ag producers moving to rural areas who farm or ranch on a limited, part-time basis. Enhanced guidance is needed to ensure consistent YBS reporting for this producer demographic.
- Additional revisions to BL-040 Revised to provide examples that are more representative of the diverse group of YBS producers (e.g., YBS producers involved in food hubs, incubator farms, urban farms, farm collectives, and part-time operators who may or may not be liable on entity transactions, etc.).

Quantitative Reporting

Current FAQs for reporting instructions are deficient in multiple areas and force associations to make assumptions that drive inconsistencies in reporting. For instance, YBS reporting instructions state to exclude farm-related service business loans. In the event a YBS producer were to diversify their business and provide farm-related services or someone entering agriculture with a desire to provide farm-related services, these loans would be excluded from reporting. Northwest FCS’ region also includes many young producers who are not “YBS reportable” yet but they are closely tied to a family operation for which they are successors. High quality relationships in these areas are critical and yet go unrecognized in current reporting processes.

Follow up questions to the non-lending report included details for new entrants to agriculture compared to YBS producers involved in operations involved in family succession. If this is an important metric to the FCA, we would like to be prepared to establish reporting mechanisms to ensure we have systems in place to accurately

monitor these differences. The existing YBS measurement is narrow and does not account for the important differences between these two sub-groups (succeeding producer and new entrant to agriculture).

Qualitative Reporting

Many of the investments in local communities made by Northwest FCS and other System associations are more difficult to quantify. Due to limitations in the existing Non-Lending Report Survey, those investments are not reflected in the YBS reporting. Examples range from investments in local community infrastructure to educational and networking events. We request updating existing YBS guidance to clearly outline expectations for reporting the value of these contributions.

AgVision Program Overview

Northwest FCS, with the collaboration of many partners, has a robust and successful YBS program. Several employees attended the March 24th, 2022, session in Ft. Collins, Colorado and agree with many of the perspective shared that day, particularly the question why a new YBS rule is necessary. Northwest FCS requests continued discussion with FCA to find a means in which the highlights of System YBS programs can be shared so that collectively we work to meet the YBS mission without the regulation of excessive reporting requirements and the unintended consequence of competition.

The Northwest FCS AgVision program helps young, beginning, and small producers start and grow their businesses. With more than 2,800 customers enrolled in the program, AgVision represents a meaningful component of the Northwest FCS portfolio. YBS lending is a vital part of our value proposition in the Northwest FCS marketplace, and we are proud of our commitment and long dedication to this demographic. While all Northwest FCS Relationship Managers may originate loans to YBS borrowers, a team of 16 dedicated AgVision Specialists and their support staff focus on this critical market segment across the Northwest FCS territory. To qualify for participation in the AgVision Program, customers must be 35 years or younger, have ten years or less farming experience, or have annual gross sales of \$350,000 or less. While the FCA identifies small producers at \$250,000 or less in yearly gross farm sales, we believe the \$350,000 threshold (which aligns with United States Department of Agriculture's (USDA) definition of small family farms) represents the scope of producers in our region that exhibit typical YBS characteristics. As is necessary, we delineate YBS and AgVision customers for FCA reporting purposes. We may use YBS and AgVision interchangeably as the program information is relevant despite the small producer definition. The AgVision program includes the following benefits:

Flexible Underwriting Guidelines

Recognizing many YBS producers do not have the business or balance sheet maturity to meet our traditional underwriting standards, the AgVision program utilizes more flexible underwriting criteria allowing for higher collateral advance rates, lower working capital, higher leverage, and lower debt coverage ratios. Extended loan terms up to 30-years on real estate are available to help beginning producers get started in agriculture.

Reduced Interest Rates

AgVision program loans are priced within a lower pricing tier than they may have otherwise scored based on their credit profile.

Fee Waivers

The AgVision program provides a Relationship Manager working with a YBS producer authority to waive up to \$3,000 in loan origination fees and up to \$3,000 in appraisal fees.

RateWise Program

Northwest FCS provides an economic incentive for YBS producers to attend educational events with the RateWise component of our AgVision program. RateWise allows YBS customers to accrue education credits for attending approved workshops and conferences, including, but not limited to, Northwest FCS-sponsored programs. Accumulated credits are applied towards interest rate reductions of up to 75 bps.

Technology and Education Reimbursement Benefits

Northwest FCS provides technology and education reimbursements of up to \$1,000 each for qualifying purchases, to assist YBS producers with these investment costs.

JumpStart Product

The JumpStart product is available for YBS producers who may not qualify under our standard AgVision lending guidelines. This product provides YBS producers with start-up capital, down payment assistance, and capital asset financing up to \$150,000 with an interest-only, 5-year non-recourse loan structure. This program has grown substantially over time. As of June 30, 2022, this product experienced a 45 percent year-over-year increase in volume and a 50 percent year-over-year increase in loan count. This product has been provided to some of our most innovative and diverse YBS producers.

Farm Service Agency Collaboration

Northwest FCS utilizes FSA Guarantees and down payment assistance with AgVision loans. If an FSA Guarantee is utilized, Northwest FCS will pay the fee on behalf of the YBS customer. This is a substantial savings to YBS producers.

Dedicated YBS Staff – Mentoring and Support

Northwest FCS dedicates significant human and financial resources to our AgVision program to ensure we continually meet the needs of YBS producers. Sixteen AgVision Specialists execute business development strategies and promote the AgVision program in coordination with the Vice President – AgVision, a YBS leadership role based in our Headquarters office. Additionally, our crop insurance teams offer critical risk mitigation to YBS producers through a suite of crop insurance options.

While Northwest FCS has dedicated AgVision Specialists that are key contact and resource points, we believe it is important for all relationship teams to seek out opportunities to serve YBS producers. We establish YBS volume and customer count targets through the business planning process. A 10 percent AgVision customer count growth target was defined within the 2022 – 2024 Business Plan and cascaded through leadership levels to individual Relationship Managers. AgVision Specialists have specific annual performance goals related to YBS outreach and JumpStart product participation. Both areas provide a significant opportunity to provide much-needed financial education, resources, and mentorship to YBS producers in our communities.

YBS Collaboration and Reaching Out

Northwest FCS' working relationship with the FSA goes beyond being a Preferred Lender. We believe strong relationships with FSA staff and the Beginning Farmer Rancher Coordinators are essential to effectively serve YBS producers. We dialogue with these individuals regularly to update each other on our respective offerings that support YBS producers through lending, insurance, and other essential YBS programs. We actively seek out collaborative educational opportunities where we may co-present with these roles to share YBS resources. Additionally, we partner with the Washington State Housing and Finance Commission through the Aggie Bond Program. We also have working relationships with local community development financial institutions (CDFI) that focus on agriculture and lending in Indian Country. We share referral opportunities and, at times, co-present with these groups as well to share YBS financial resources with producers. These relationships are essential as YBS producers are busy and offering them educational opportunities with multiple resources is a more effective use of their time.

YBS Strategic Outreach

The AgVision team at Northwest FCS develops an annual strategic plan focusing on YBS outreach in core areas including farmer veterans, socially disadvantaged groups, food hubs, educational and incubator farms, young farmers and ranchers' programs, and YBS at the university level. Each of these categories has a dedicated representative from each region in every state we serve to ensure consistent geographic coverage across the association. These designated leads are responsible for fostering relationships with organizations that serve these core focus areas and to enhance and understand areas of opportunity to provide support. Each AgVision Specialist has formal performance goals for outreach to ensure accountability. This structure ensures YBS support that is balanced in all key focus areas across the association.

YBS Collaboration – Federal

AgVision Specialists and the Vice President – AgVision regularly collaborate with the FSA during information-sharing sessions between agencies. In 2022, AgVision Specialists learned from USDA's FSA and National Resources Conservation Service about drought relief programs and other resources at the federal level beyond typical FSA offerings. USDA Beginning Farmer Rancher Coordinators shared information about their roles within their respective states, so the AgVision team more clearly understood the responsibilities of this newer position at USDA. Subsequent meetings at the state level are underway to ensure that USDA staff also understands details of the AgVision program to help serve YBS producers. Regional YBS conferences in three areas of Idaho are planned with these important relationships to reinforce collaborative efforts to help meet the needs of YBS producers.

YBS Collaboration – State

Coordination and collaboration with university extension small farm programs across our territory have long been underway. Hallmark programs such as Washington State University and the University of Idaho's Cultivating Success are crucial entry-level education programs for YBS producers. Our AgVision Specialists teach YBS producers in cohort models the fundamentals of financial management during the 6–8-week session. Annie's Project, a 501(c)(3) organization, offers an extended learning experience for women agriculture producers. The curriculum includes an important financial education component and AgVision Specialists in Montana regularly serve as presenters in this segment. Northwest FCS has historically hosted female producers

at our branch locations to virtually attend the annual Women in Ag conference. AgVision Specialists also have a strong relationship with the Cascadia Grains program who among other things, is focused on promoting an artisan grains movement for area grain growers, bakers, brewers, distillers, and others. The AgVision team goes beyond event sponsorship and participates in their meetings and annual conferences to offer program and financial education. Involvement in groups such as this is critical as they provide new, niche business opportunities in areas where homogeneity is more commonplace and puts YBS producers at a disadvantage based on a smaller scale and lack of experience or resources. AgVision Specialists work with staff at each state level Department of Agriculture office to share their respective programs to stay abreast of YBS resources.

Veteran Support

Northwest FCS continues to expand on opportunities to serve veterans. This demographic is a key focus area in YBS outreach, with dedicated staff working directly with related organizations and producers. Veterans possess directly relatable skills and attributes which support their success in agriculture, and many express that farming contributes to their healing from past trauma. We strongly support the growth and development of state chapters within our territory. Northwest FCS contributes to the Washington State Chapter of the Farmer Veteran Coalition (FVC) and participates in monthly meetings and volunteer activities. Through this outreach to veterans, the coalition provides education, financing, and employment opportunities in agricultural industries. In Montana and Idaho, FVC state chapters offer opportunities for AgVision Specialists to meet and engage with farmer veterans seeking financial education or other resources. AgVision Specialists serve on state chapter-level FVC advisory committees and their respective boards. We provide financial and volunteer support for the national FVC Fellowship Fund, judging grant applications and providing financial support for grant recipients in our territory. Northwest FCS provides financial support at the national FVC conference and attends the event to learn more about veterans' needs and share AgVision program information.

Northwest FCS continues to support programs such as the National Center for Appropriate Technology's (NCAT) Armed to Farm program, which provides training for veterans pursuing agriculture. In 2022, we presented financial education and AgVision information during a workshop through NCAT in Montana in conjunction with the state's FVC. This event included YBS producers from across the country. At Northwest FCS, we have supported Vets on the Farm (VOTF) since its inception. VOTF is a premier farmer veteran organization in Washington that provides agricultural training to veterans. They are also a valuable resource to YBS producers as an incubator farm. Before COVID-19, Northwest FCS staff in Oregon and Washington collaborated with VOTF to present financial and crop insurance information in multiple locations. In Oregon, we support the Central Oregon Veterans Ranch. This 19-acre working farm provides veterans with educational and hands-on experiences to help them pursue their farming endeavors.

In May 2022, Northwest FCS provided a letter of support to the USDA's Partnerships for Climate-Smart Commodities grant. The Spokane Conservation District leads VOTF and applied for this grant which will have many positive outcomes if awarded, including creating a pipeline that connects veterans with farming opportunities.

Northwest FCS reserves seats for YBS farmer veterans from each state to attend the annual AgVision Summit at no cost and regardless of their status as current customers. The education and networking opportunities

provided at this three-day conference offer veterans a valuable introduction to agriculture and business as they start their operations.

Food Hubs and Cooperatives

The formation of localized community cooperatives and food hubs is increasing in our territory, with new organizations forming regularly to serve dairy producers, meat processors, fruit and vegetable growers, and other ag producers. We strongly support the success of these organizations through the AgVision program as their member growers are frequently YBS operators. These groups work hard to gain commercial contracts with hospitals, universities, schools, and other large institutions. After years of consistent encouragement at the local and state level and partly due to COVID-19 food shortages, there is substantial demand for local food. This sentiment is positively impacting YBS producers as they now have access to larger markets through cooperatives and food hubs as well as an alternative sales outlet for those who do not sell into farmers' markets or offer community-supported ag subscriptions. This area is also largely the reason many Northwest FCS YBS customers were able to successfully navigate through pandemic-related challenges when restaurants and farmers markets shut down. Northwest FCS has identified key cooperatives and food hubs across our territory as focus areas for support to ensure they are well-equipped to succeed as their positive outcomes ultimately benefit their growers, YBS producers.

Higher Education Outreach

Northwest FCS maintains strong relationships across land grant universities and private colleges in our territory to attract students interested in agriculture careers or farming and ranching operations of their own. Designated Campus Ambassadors present financial education and AgVision program details to students in the classroom. AgVision program information is included to inform students who are often pursuing agriculture pursuits of their own instead of off-farm careers. Northwest FCS is committed to the continued development and success of campus organizations such as the College Assistance Migrant Program and Minorities in Agriculture, National Resources, and Related Sciences. Participation in the Farm Credit Fellows is also integral to the University Relations program at Northwest FCS. These groups provide a vital pipeline of students for future careers at Northwest FCS, our customers, and future YBS producers.

Farmland Preservation – Washington Wildlife and Recreation Program

Staff at Northwest FCS serves on the Farmland Preservation Advisory Committee to evaluate grant proposals for projects that acquire development rights on farmland and ensure the land remains available for farming in the future. This role helps foster positive working relationships with land trusts, conservation districts, and others focused on farmland preservation. Participation in this program effectively helps address YBS barriers to entry, including farmland's exceedingly high market values, and can assist in successfully transferring farmland to the next generation.

Educational Offerings

Numerous training opportunities are provided through our Business Management Center (BMC). Over 5,700 participants attended learning events hosted by Northwest FCS in 2021. Due to COVID-19, most of these programs were delivered virtually. However, 2022 includes returning to in-person programming and hybrid offerings to accommodate customers when needed. YBS producers are invited to all BMC events and

encouraged to attend. We host new AgVision borrowers each year at our annual AgVision Summit. This conference provides education on business planning, succession, and financial management along with outside keynote speakers and activities to promote networking. The curriculum is evaluated annually to ensure we are meeting the needs of customers in attendance. YBS producers have shared with us that logistical concerns, internet connectivity issues, family care considerations, and travel constraints make a blended educational model more accessible.

The BMC provides financial workshops, succession planning retreats, geopolitical updates, market outlooks, leadership workshops, and more. The annual YBS-only conference, AgVision Summit, is a three-day in-person, all-expense paid conference that includes education and networking opportunities. Strategic Financial Management is a mid-level program growing in popularity with YBS producers. This four-hour onsite educational opportunity consists of a partial webcast from the BMC with facilitated local conversations by branch staff who understand local dynamics best. Producers who participate in this course often enroll in the RateWise program and share in surveys the value of networking opportunities with other YBS producers. They appreciate that they have options for an offsite educational opportunity with YBS producers from the Northwest, as well as more localized conversations with other YBS producers that prevent travel constraints. Our presentations help growers understand financial management, the importance of a credit report, financial statement comprehension, and management lessons to help YBS producers make sound business decisions. A RateWise "Bonus" Program is offered during the AgVision Summit with additional credits for attendance and follow-up course work to obtain interest rate reductions.

YBS Service Provider Offerings

Northwest FCS collaborates with University Extension offices across our region, and these relationships remain among some of our most important for YBS producers. Through collaboration, AgVision Specialists provide courses for YBS producers through multiple ongoing structured programs at extension offices throughout our association. Ag Entrepreneurship, Annie's Program, and Cultivating Success are core programs that all serve YBS producers. Small Farms programs at Oregon State University, the University of Idaho, and the University of Washington are robust, with well-attended YBS-related courses and events throughout the year. The AgVision team has close connections with each group for direct involvement at events and financial sponsorship supporting activities serving YBS producers.

AgVision Specialists participate and provide input to groups such as the Northwest Ag Business Center (NABC) through programs focused on helping YBS producers learn financial and business concepts, including cohorts of Latino producers where coursework is offered in Spanish. Northwest FCS supports NABC efforts through financial sponsorship to assist their programs that directly help Latino producers. Similarly, we strongly support Viva Farms, an important incubator farm in Washington that offers smaller plots for lease in combination with coursework, including financial education. This organization is of great benefit to YBS producers, including those who are socially disadvantaged. Similar educational programs focused on commercial fishing in Washington began in 2021 with a focus on YBS producers. AgVision Specialists provide input on course content and present to the respective cohort. Alaska includes many emerging YBS producers in the fisheries segment. Our dedicated AgVision Specialists support this segment by presenting financial education and JumpStart product information at conferences and networking events. Alaska has an increasing number of YBS producers as interest in farming and ranching in this region expands. We are coordinating educational events with some of Alaska's agriculture industry leaders, including FSA, and will present during the state's largest gathering of agriculture producers in

November 2022. Pre-COVID 19, the AgVision team routinely provided financial education to EcoTrust's Ag of the Middle program, an extended educational program focused on emerging producers in various farm and ranch operations. In Montana, Northwest FCS supports and participates in events at the Community Food and Agriculture Coalition, which serves to build a vibrant local food system and works closely with YBS producers. We sponsor small farm tool demonstrations designed for YBS producers and ongoing activities to assist the organization in building on the success of YBS producers in western Montana.

AgVision Team – Internal Education

As we deepen relationships with YBS producers and service providers across a diverse landscape, we believe our AgVision team and other staff must approach their respective marketplace with an open mind and learner's mindset. The YBS marketplace is dynamic and evolving quickly, so we must continue to educate ourselves on the changing needs of YBS producers. At Northwest FCS, we intentionally cultivate relationships with groups that serve underrepresented producers to enhance our understanding of their unique needs and ensure that the AgVision program is accessible and supports their ability to succeed in agriculture. The AgVision team received training from Regenerative Agriculture (RA) experts in 2022 to take a deeper dive into RA as a learning opportunity and to assist YBS producers who, for varied reasons, see this as a crucial way to manage their operations more effectively. Several well-established organizations throughout our territory focus on grass-fed and regenerative models and our AgVision team is involved in their conferences to help support our YBS producers. The AgVision team participates in learning sessions with outside communication firms with expertise in cultural engagement, outreach, and advocacy to further enhance their abilities to effectively listen, learn, and engage with the great diversity of producers and production types in our territory.

In summary, Northwest FCS' approach to customer and employee education includes an emphasis on the needs of YBS producers. BMC training, combined with education through external stakeholders, provides opportunities to speak with new and existing customers and outreach to producers in the area who may never seek financing. These activities are a business development opportunity but, more importantly, help YBS producers understand the financing process and become better prepared when they are ready to move forward with a loan request. As noted, many presentations are given alongside other organizations at YBS producer programs. This collaborative approach ensures YBS producers have a greater understanding of resources available to support them and builds on strong referral networks.

Other Sponsorships and Financial Support

In addition to hands-on outreach from the AgVision team and others across the association in support of YBS producers, a significant financial investment is made in supporting organizations that also serve YBS producers. These YBS investments are directed to YBS members in our community and beyond financial support provided during the loan-making process. Our association is deeply engrained in our communities and proud of the organizations that support YBS producers. Northwest FCS provides sponsorships and volunteers to many YBS-related organizations. YBS outreach and impact are complex to quantify fully, and complexity in data collection at the corporate, state, branch, and team levels are challenging to summarize.

Conclusion

As evidenced within the AgVision Program Overview above, Northwest FCS is deeply committed to furthering the YBS mission and understands how vital this segment of producers is to the long-term success of the System. This commitment starts with the Board of Directors and is a sentiment that is shared throughout every level of the association. It is essential that each direct lending association be afforded the regulatory flexibility to tailor their respective product offerings to meet the needs of the unique and diverse producers in their territory. A one-size fits all approach will stifle innovation and ultimately reduce the effectiveness of outreach efforts.

For reasons presented within this comment letter and the aforementioned letter submitted by the FCC on behalf of the System, we respectfully request the FCA withdraw the Proposed Rule and seek input from System intuitions on how to enhance the existing guidance to further support the YBS mission. Please contact Colton Telford (colton.telford@northwestfcs.com or 509.590.3846) if you wish to discuss our comments.

Respectfully submitted,

A handwritten signature in black ink that reads "Nate Riggers". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Nate Riggers
Chairman of the Board

Nate.Riggers@northwestfcs.com



May 22, 2019

Mr. Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Advance Notice of Proposed Rulemaking- Young, Beginning, and Small Farmers and Ranchers – RIN 3052-AD32 / Federal Register 84 (February 21, 2019)

Dear Mr. Mardock:

Northwest Farm Credit Services (Northwest FCS) appreciates the opportunity to comment on the Farm Credit Administration's (FCA) proposed rule regarding Young, Beginning, and Small Farmers and Ranchers.

Reporting of YBS Farmer Data

1. Should loans continue to be reported in all the existing categories in which they fit? Alternatively, should loans be reported in seven mutually exclusive categories: young; beginning; small; young and small; young and beginning; beginning and small; and young, beginning, and small?

Northwest FCS recognizes value in using consistent reporting methodology over time. While reporting seven mutually exclusive categories would yield the most technically accurate representation of YBS lending, Northwest FCS would only support this change if it does not produce negative public perception or reputation implications.

2. When reporting YBS Farmer program performance, which would be more useful, a focus on the dollar volume of loans, the number of loans, the number of YBS Farmers that received credit and services, a combination of these, or all?

Northwest FCS recommends using all of the above when reporting YBS Farmer program performance.

3. Under FCA's regulations, the term "services," as used in section 4.19(a) of the Act, includes leases and related services made by System banks and direct lender associations under titles I or II authorities. As such, how appropriate is it for lease activity to be reported for YBS purposes? Should leases and services be reported together with or separately from loans?

Currently Northwest FCS does not have any lease activity to report in the YBS loan portfolio and does not have a recommendation as to how appropriate it is for lease activity to be reported for YBS purposes. Northwest FCS recommends lease and crop insurance be reported separately from loans when reporting the total number of YBS producers.

4. What additional elements or measurements would be useful in determining the FCS's compliance with and mission performance under section 4.19 of the Act and FCA regulations at 12 C.F.R. § 614.4165?

Northwest FCS has no recommendation at this time for additional elements or measurements.



5. What are ways Institutions could pool resources to ensure all eligible YBS Farmers are being served?
Northwest FCS believes it is the responsibility of the institutions to work amongst themselves to pool resources to ensure all eligible YBS Farmers are being served.
6. In what ways could Institutions use investment authorities to assist YBS Farmers, and should such investments be reported separately from YBS Farmer loan data?
Northwest FCS has no recommendation at this time.

Definitions of Key Terms Associated with YBS Farmer Data

7. Given the trends in the average age of farmers, ranches, and aquatic operators and the transfer of operations from one generation to the next, does the current age limit remain appropriate? If not what would be a more meaningful age threshold for a “young” farmer and why?
Based on young farmers returning to the farm after non-farm careers and later succession from family members, along with non-traditional producers entering agricultural at a later age, Northwest FCS believes the young farmer age should be considered 40 years or younger.
8. Should the young farmer designation change for a borrower’s outstanding loans once they age beyond the threshold?
Northwest FCS recognizes value in using consistent reporting methodology over time.
Northwest FCS would support YBS reporting based on an annual evaluation of the borrower’s eligibility as a young farmer rather than the life of the loan so long as this change does not produce negative public perception or reputation implications.
9. What additional clarification is needed on who qualifies as a young farmer? For example, should the following criteria apply to the determination of whether a person is a young farmer and to what extent?
 - a. Ownership in the agricultural operation or aquatic operation.
 - b. Ownership of agricultural land only.
 - c. Financial control in the agricultural or aquatic operation.
 - d. Exposure to production risk in the agricultural or aquatic operation.Northwest FCS recommends considering all of the above criteria when determining qualification as a young farmer. Northwest FCS also recommends considering “ownership and involvement in the agricultural operation or aquatic operation”.
10. Is the 10- year threshold still appropriate and if not what would be the appropriate threshold and why?
Northwest FCS believes the 10-year threshold for a beginning farmer threshold is still appropriate.
11. Should the beginning farmer designation change for a borrower’s outstanding loans once the years of experience exceed the threshold?
Northwest FCS recognizes value in using consistent reporting methodology over time.
Northwest FCS would support YBS reporting based on an annual evaluation of borrower’s eligibility as a beginning farmer rather than the life of the loan so long as this change does not produce negative public perception or reputation implications.

12. What additional clarification is needed on who qualifies as a beginning farmer? For example, should the following criteria apply to the determination of whether a person is a beginning farmer and to what extent?
 - a. Ownership in the agricultural or aquatic operation?
 - b. Ownership of agricultural land only.
 - c. Financial control in the agricultural or aquatic operation.
 - d. Exposure to production risk in the agricultural or aquatic operation.

Northwest FCS recommends considering all of the above criteria when determining qualification as a beginning farmer. Northwest FCS also recommends considering “ownership and involvement in the agricultural operation or aquatic operation”.

13. What criteria should the FCS consider in determining whether to maintaining or change the \$250,000 threshold? For examples, should we consider thresholds adopted by other government agencies for the definition of small farmers?

Northwest FCS recommends utilizing the USDA benchmark currently set at \$350,000.

14. Would it be appropriate to index or benchmark the economic measure used at specified points in the future to ensure the threshold is current and a reasonable measure? If so, what would be an appropriate interval and benchmark?

Northwest FCS recommends using the USDA’s definition of Small Family Farms as an index and reevaluating every five years with the Census of Agriculture data release to ensure the threshold is current.

15. Should the terminology “normally generate” be more clearly defined for reporting purposes? Would a multi-year median or an Olympic average be a more meaningful measure?

Northwest FCS does not see a need for further definition in this area. Northwest does not recommend using a multi-year median or Olympic average due to the added measurement complexities this would create.

16. Should the measurements for farm or aquatic income reflect a more stable metric compared to the current measure of annual gross sales of agricultural products?

Northwest FCS recommends the continuation of annual gross sales of agricultural products to measure farm and aquatic income.

17. Should a borrower be considered a small farmer if:
 - a. They have not yet generated agricultural or aquatic income?
 - b. They only own agricultural land and no agricultural income is produced?

Yes, if the above criteria apply, the borrower should be considered a small farmer.

18. Should there be a time period established over which no agricultural or aquatic income is generate that would disqualify the classification of a “small farmer” from continuing?

No, Northwest FCS does not recommend a time period be established.

19. Should the small farmer designation change for a borrowers outstanding loans if they grow beyond the threshold?

Northwest FCS recognizes value in using consistent reporting methodology over time.
Northwest FCS would support YBS reporting based on an annual evaluation of borrower’s



eligibility as a small farmer rather than the life of the loan so long as this change does not produce negative public perception or reputation implications.

20. Should the small farmer measure account for such items as amount of acreage farmed as well as the production value generated?

Northwest FCS recommends no change to the current process.

21. What family connections among individuals who own/operate an entity should be considered to determine whether the entity meets the age or years of experience thresholds.

Northwest FCS recommends no change to the current process.

22. With respect to farming and ranching and aquatic operations performed through legal entities:

- a. What young or beginning farmer ownership thresholds should be used to determine that an operation is a young or beginning farmer?
- b. How should the percentage of ownership in the entity by individuals that meet the requirements for a young or beginning farmer affect the threshold?
- c. If a single person's ownership share is not sufficient to meet the threshold should more than one person be allowed to jointly meet the threshold?
- d. What if any, overall income threshold should be considered for an entity to be classified as a young or beginning farmer?

Northwest FCS recommends evaluation of ownership at an individual level and be defined as ownership and involvement, regardless of income.

23. In determining whether an entity is a young or beginning farmer, over what minimum time period should the Agency provide for an association to make the determination or should determination be made at a specific point, for example at the time the loan is applied for or closed?

Northwest FCS recommends no change to the current process. Determination should be made at the time of loan application and reevaluated annually to evaluate eligibility.

Thank you for allowing Northwest FCS the opportunity to comment on this important Advanced Notice of Proposed Rulemaking. We find this topic to be of the utmost importance and look forward to working with the FCA to continue to meet the needs of Young, Beginning, and Small Farmers and Ranchers. Please contact Colton Telford at (509) 340-5349 or email him at Colton.Telford@northwestfcs.com if you wish to discuss our comments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bill Perry", with a stylized flourish at the end.

Bill Perry

Executive Vice President- Lending and Insurance