

FCS's Young, Beginning, and Small Farmer Mission Performance: 2007 Results

**Office of Regulatory Policy
FCA Board Meeting
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Outline



- **The System's YBS mission**
- **Inflation and demographic trends**
- **YBS lending results for 2007**
- **YBS Questionnaire**
- **Conclusions**

The System's YBS Mission

Farm Credit Act –

- **1980 Amendments**

- Establishes YBS mission
- Requires each FCS institution to have a program for furnishing sound, constructive credit and related services to YBS borrowers
- Requires each FCS bank to submit an annual report on its YBS activities to FCA
- Requires FCA to submit an annual YBS report to Congress

- **Regulation – 614.4165**

- Sets minimum YBS program components and reporting and disclosure requirements for direct-lender associations

- **Revised Bookletter-040**

- Provides flexibility on lending opportunities for YBS farmers and ranchers.

- **FCA Strategic Plan, Goal 1 – Ensure FCS fulfills its YBS mission**



YBS Definitions & Cautions



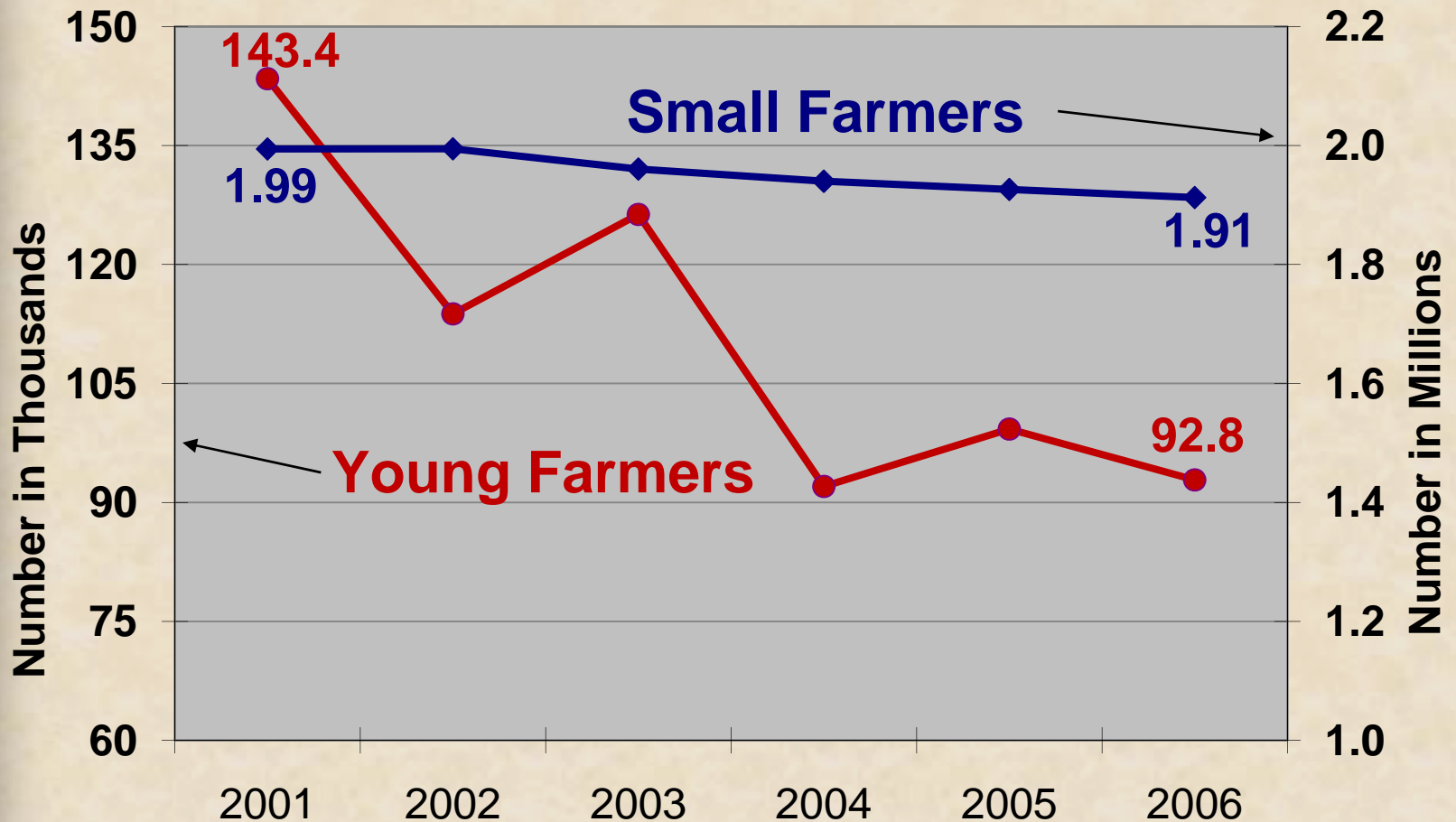
Definitions: (apply at time of loan)

- **Young Farmer: age 35 or younger**
- **Beginning Farmer: 10 years or less farming experience**
- **Small Farmer: gross annual farm sales of \$250,000 or less**

Cautions:

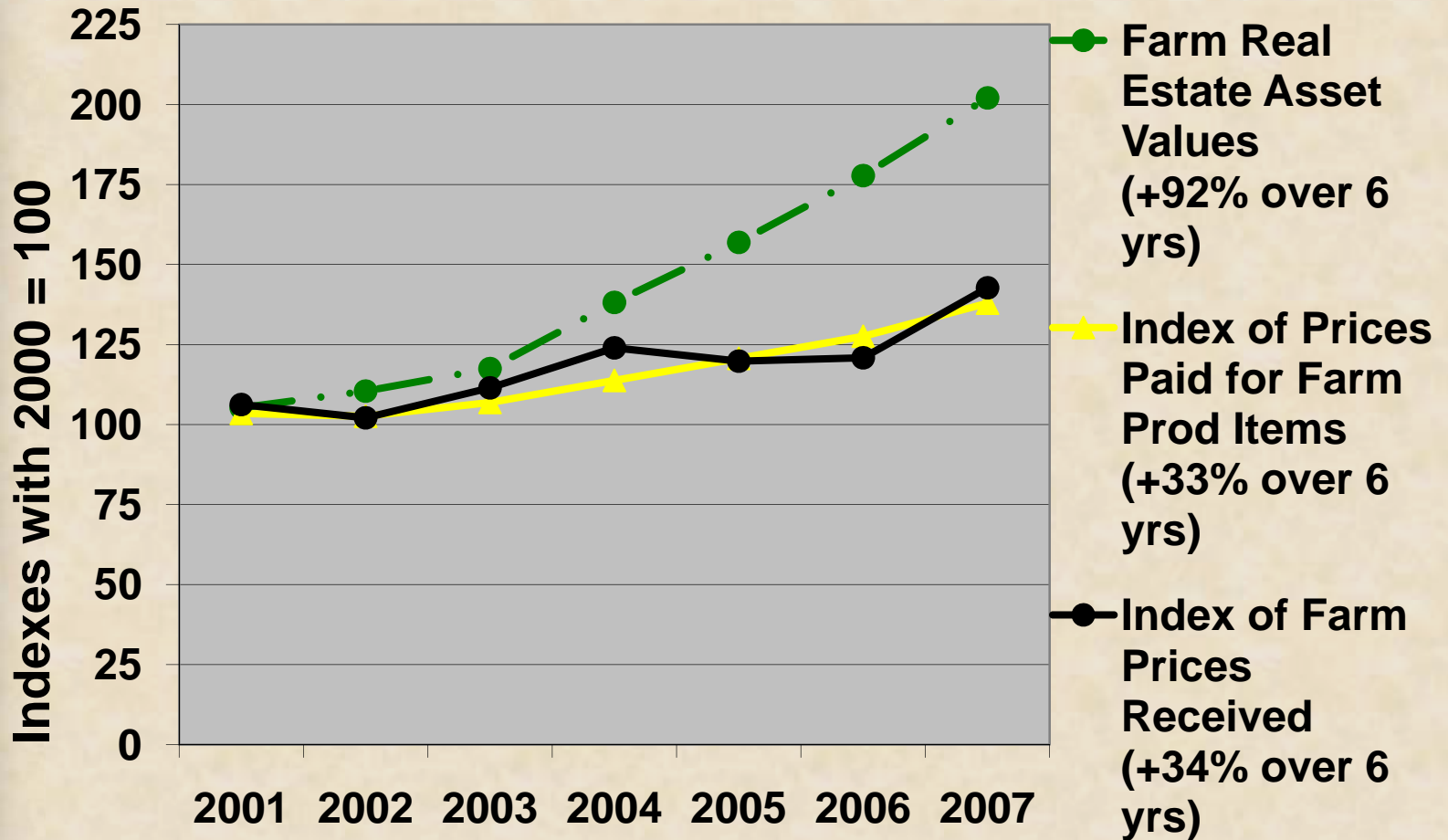
- **Data are reported separately for each category**
- **Borrowers may qualify under more than one category; one should not add Y, B, and S data**
- **Volumes include advances and commitments**
- **Counts are for loans, not borrowers**

USDA Data Shows Y Farmers Down and S Farmers Stable



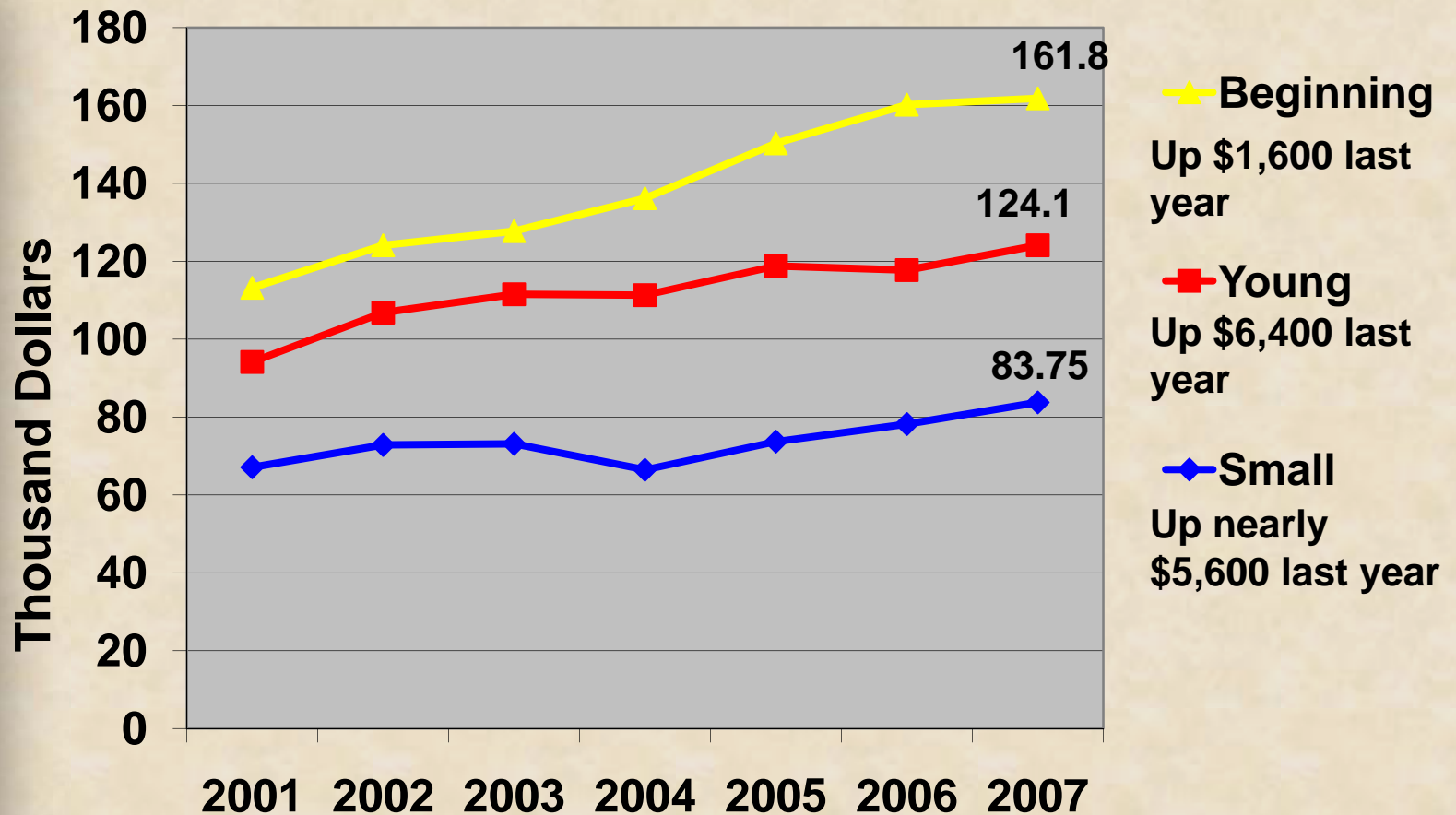
Source: Compiled from USDA/ERS web site from results of the annual Agricultural Resource Management Surveys.

Prices and Real Estate Values have Increased



Source: Compiled from USDA/NASS Farm Prices Paid and Received and USDA/ERS Farm Balance Sheet Estimates in the most recent Web-based reports available from the respective USDA agencies.

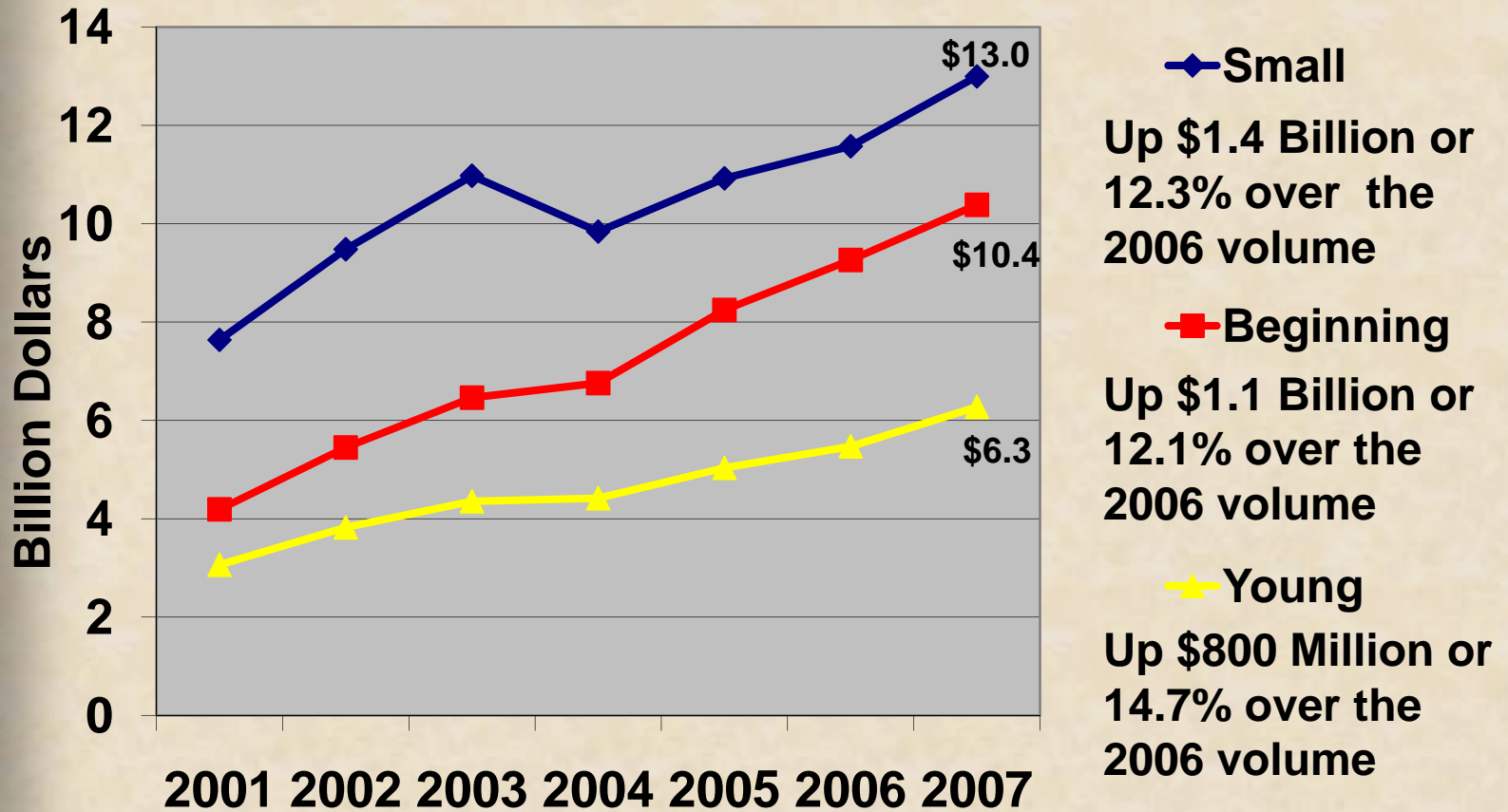
Average New YBS Loan Sizes Grow



Source: Annual YBS reports submitted by each System lender to FCA. Volumes include advances plus commitments, and covers all lending by associations. Cooperative (Title III) lending not included. See FCA web site for data, definitions, and caution against adding the three program area results.

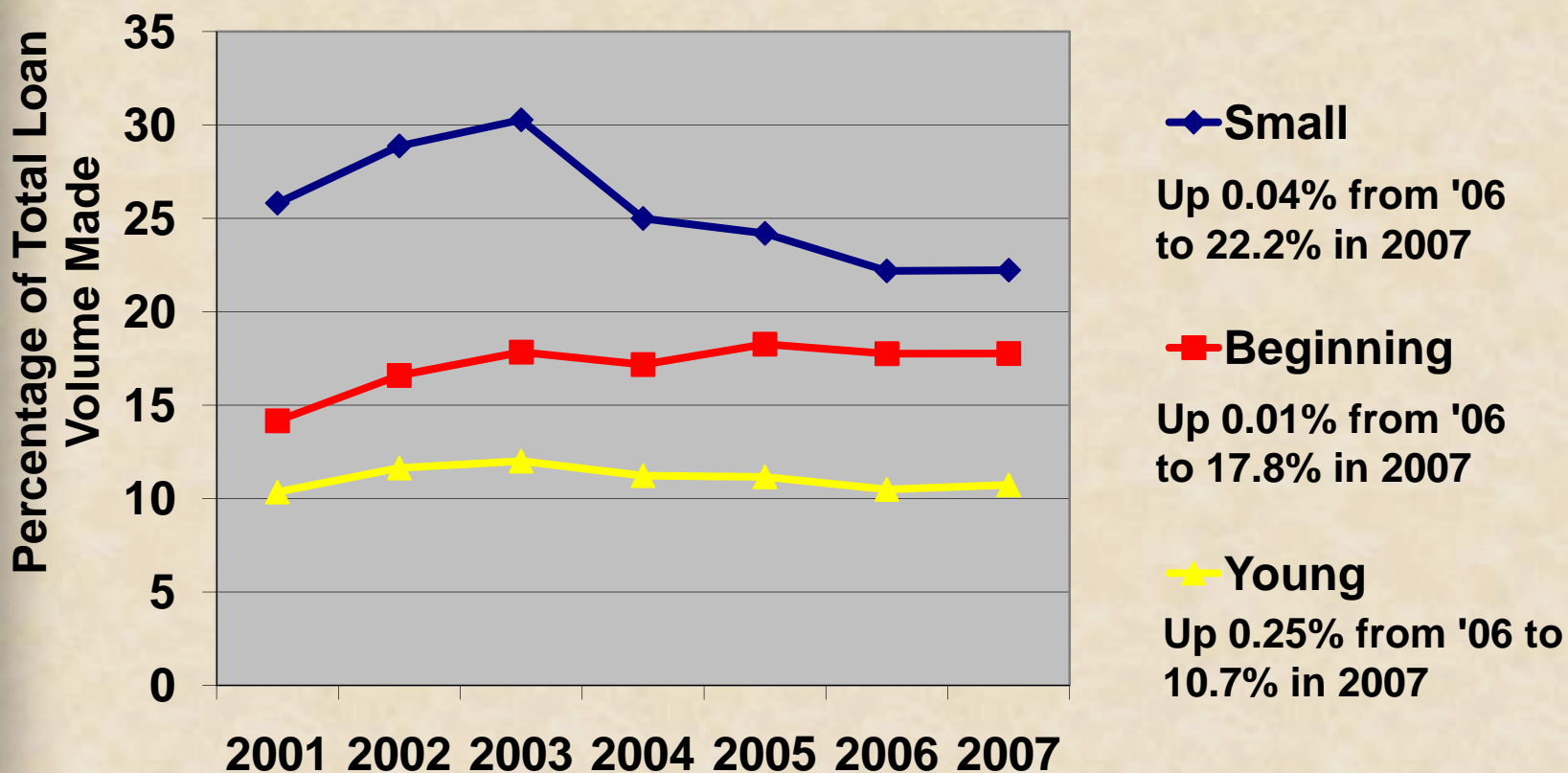
Volume of YBS Loans Made in 2007

Upward Trends Continue



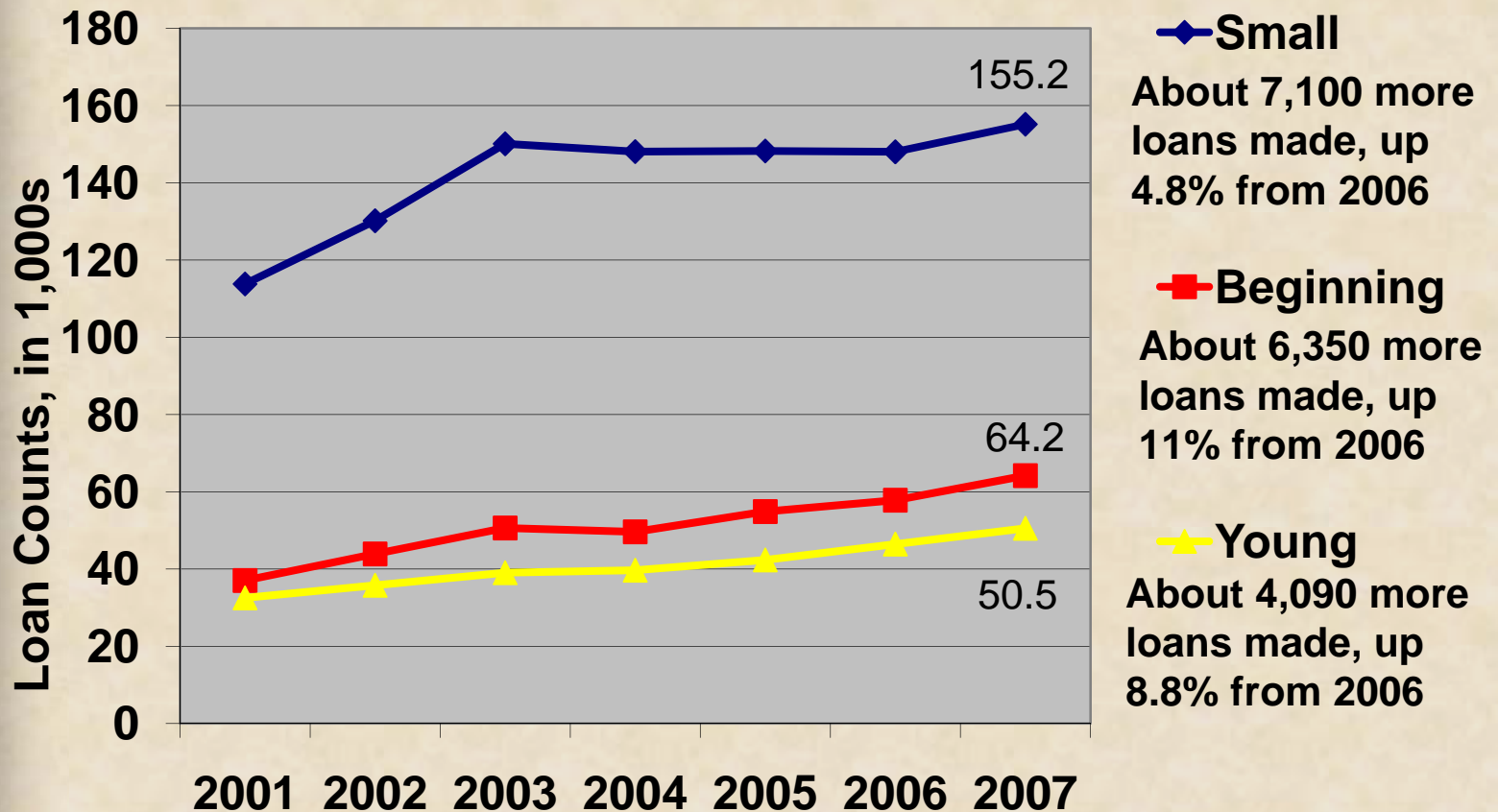
Volume of YBS Loans Made as Percent of Volume of Total Loans Made in 2007

Minimal change From 2006



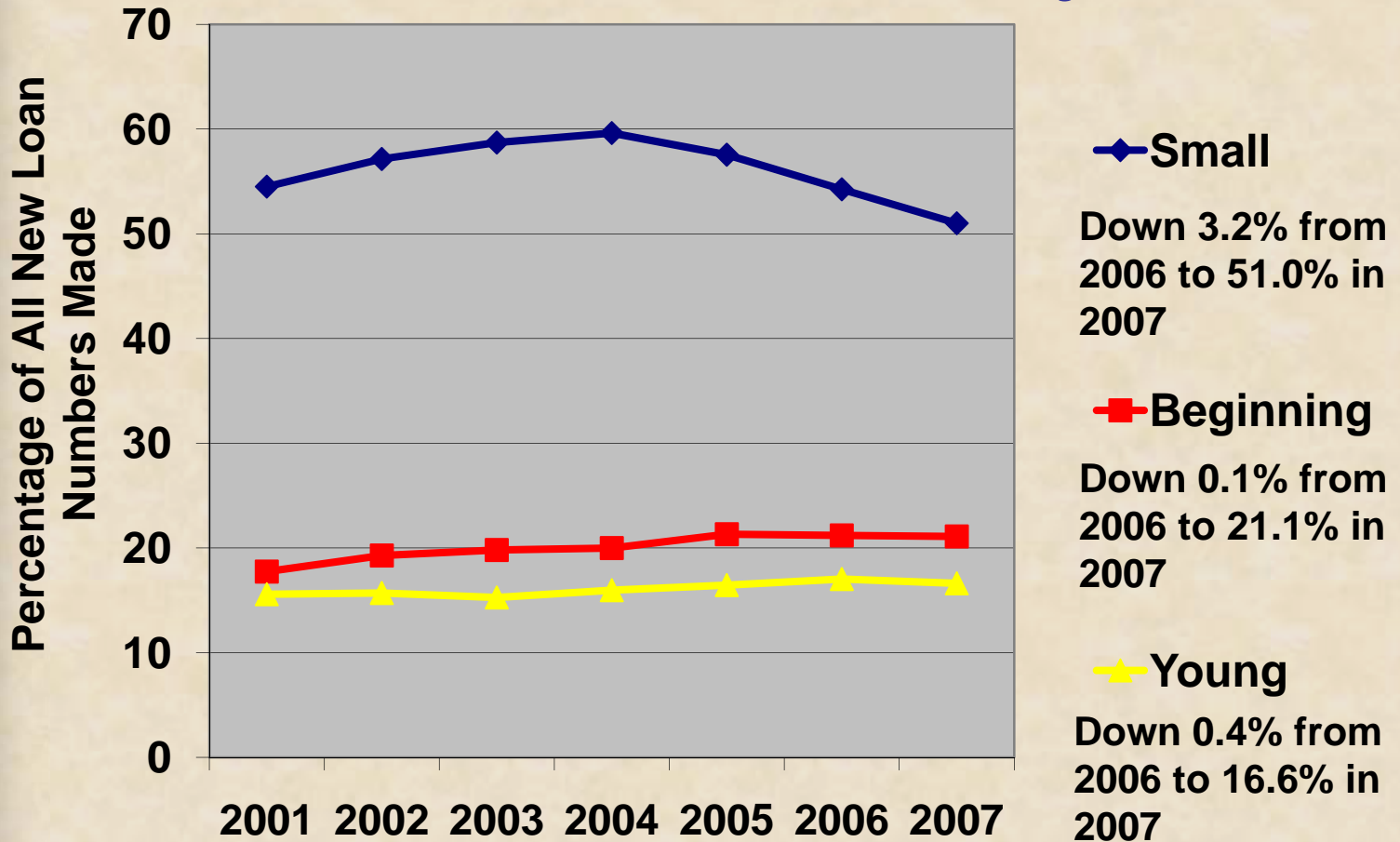
Number of YBS Loans Made in 2007

Growth in all Three Program Areas




Number of YBS Loans Made as Percent of Total Loans Made in 2007

Downward Trend for Small, Steady for B & Y



YBS Loans Outstanding* in 2007



Dollar volume	Percentage of all loans outstanding	Change from 2006
Young	11.6	-0.15
Beginning	19.7	0.3
Small	26.6	-1.08

Number		
Young	18.2	0.15
Beginning	25.1	0.79
Small	58.3	-1.54

* Includes actual advances plus commitments; all loans are basically Title I and II. See footnotes on slide 4 for more detail on the source, definitions, and data availability.

Note: Because the three (young, beginning, and small) categories are not mutually exclusive, one should not add across the categories to count total YBS lending activity.

Selected Observations from Annual YBS Questionnaire



- Institutions beginning to Implement 2007 YBS Bookletter Guidance.
- Most Institutions Use Other Government Sources to Help Manage Loan Risk.
- Some Institutions Use Special Loan Underwriting Standards and Concessionary Interest Rates and Loan Fees to Help YBS Borrowers Qualify and Repay Loans.
- Many Institutions Provide Leadership and Financial Training Opportunities.
- Some Institutions Have YBS Advisory Committees.

Conclusions



- **YBS performance trend is positive with loans made in 2007 increasing both in numbers and dollars.**
- **The volume of YBS loans made in 2007 kept pace with the strong loan growth in the total loan portfolio.**
- **Higher commodity prices and declining young farm numbers are reducing the size of the potential YBS market.**
- **Institutions are making use of available programs and outreach activities to assist YBS farmers and ranchers.**
- **Institutions are beginning to implement 2007 YBS Bookletter Guidance.**

