



FCA's Annual Report on the Farm Credit System's Young, Beginning, and Small Farmer Mission Performance: 2011 Results

**Office of Regulatory Policy
FCA Board Meeting
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Outline



- **The System's YBS Mission**
- **Trends for YBS Farmers**
- **System's 2011 YBS Numbers**
- **Selected YBS Questionnaire Responses**





The YBS Mission

- **Farm Credit Act - 1980 Amendments**
 - FCS institutions to have a program for furnishing sound, constructive credit, and related services to YBS borrowers
 - FCS banks to submit an annual report on YBS activities to FCA
 - FCA to submit an annual YBS report to Congress
- **Regulation – 614.4165 (2004)**
 - Sets minimum YBS program components and reporting and disclosure requirements for direct-lender associations
- **Revised Bookletter-040 (2007)**
 - Provides flexibility on lending opportunities for YBS farmers and ranchers
- **Regulatory Agenda (2012)**
 - Review possible guidance for YBS lending as well as lending to all eligible creditworthy agricultural producers.





YBS Definitions

Definitions for FCA Reporting:

- 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

Important Data Clarifications:

- Data are reported separately for each category because the YBS mission is focused on each group separately. And because some YBS loans belong to more than one category, you cannot measure the System's total YBS lending by adding the totals for each category.
- Volumes include advances and commitments.
- Counts are for loans, not borrowers.





Overall YBS Markets – USDA 2010 Survey Data



- **Young farmers**
 - 4% of primary operators are under 35
 - » 84% operate small farms
 - » Nearly half consider farming to be their primary occupation
- **Beginning farmers**
 - 21% of farms have a beginning farmer as the primary operator
 - » 16% have principal operators under 35 years of age
 - » 95% operate small farms
- **Small farms**
 - 88% of all farms
 - » Rising farm prices have reduced the numbers
 - » Wide range of farms, including lifestyle and retirement farms



2011 YBS Results



YBS Loans Outstanding

As of December 31, 2011

	Number of loans	Percentage of total number	Dollar volume of loans in millions*	Percentage of total volume
Young farmers/ranchers	165,605	18.0	\$21,290	11.2
Beginning farmers/ranchers	236,033	25.7	\$34,113	18.0
Small farmers/ranchers	475,310	51.8	\$42,850	22.6

YBS Loans Made During 2011

As of December 31, 2011

	Number of loans	Percentage of total number	Dollar volume of loans in millions*	Percentage of total volume
Young farmers/ranchers	52,800	15.8	\$7,464	10.5
Beginning farmers/ranchers	61,995	18.6	\$9,634	13.5
Small farmers/ranchers	137,529	41.2	11,197	15.7

* Totals include loans, advancements, and commitments made to farmers, ranchers, and aquatic producers by the associations, and excludes rural home and Title III loans, and the Leasing Corporation activity.

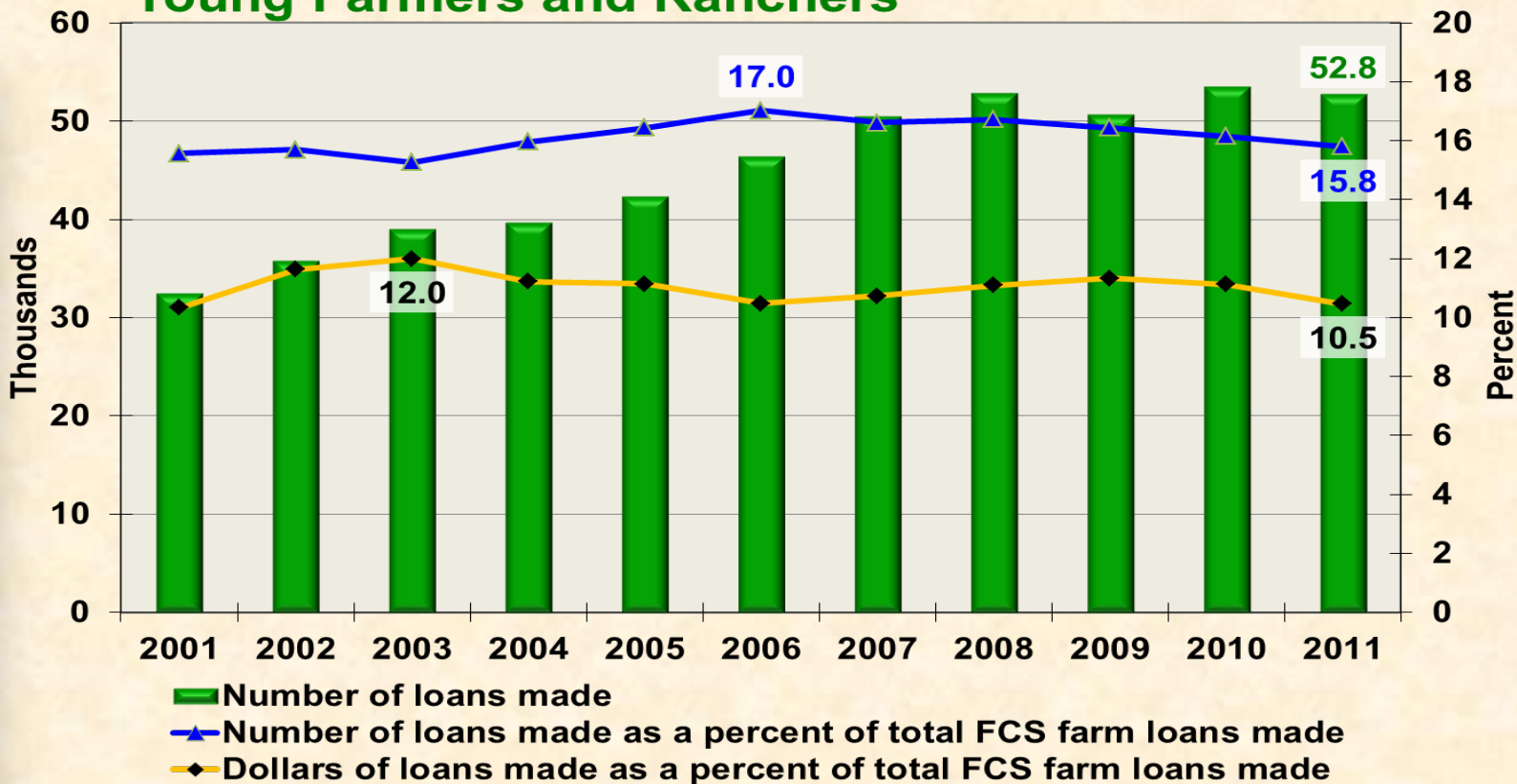
Note: Because the three (young, beginning, and small) categories are not mutually exclusive, one should not add across the categories to count total YBS lending activity.

Sources: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the Farm Credit Banks.



YBS Loans Made

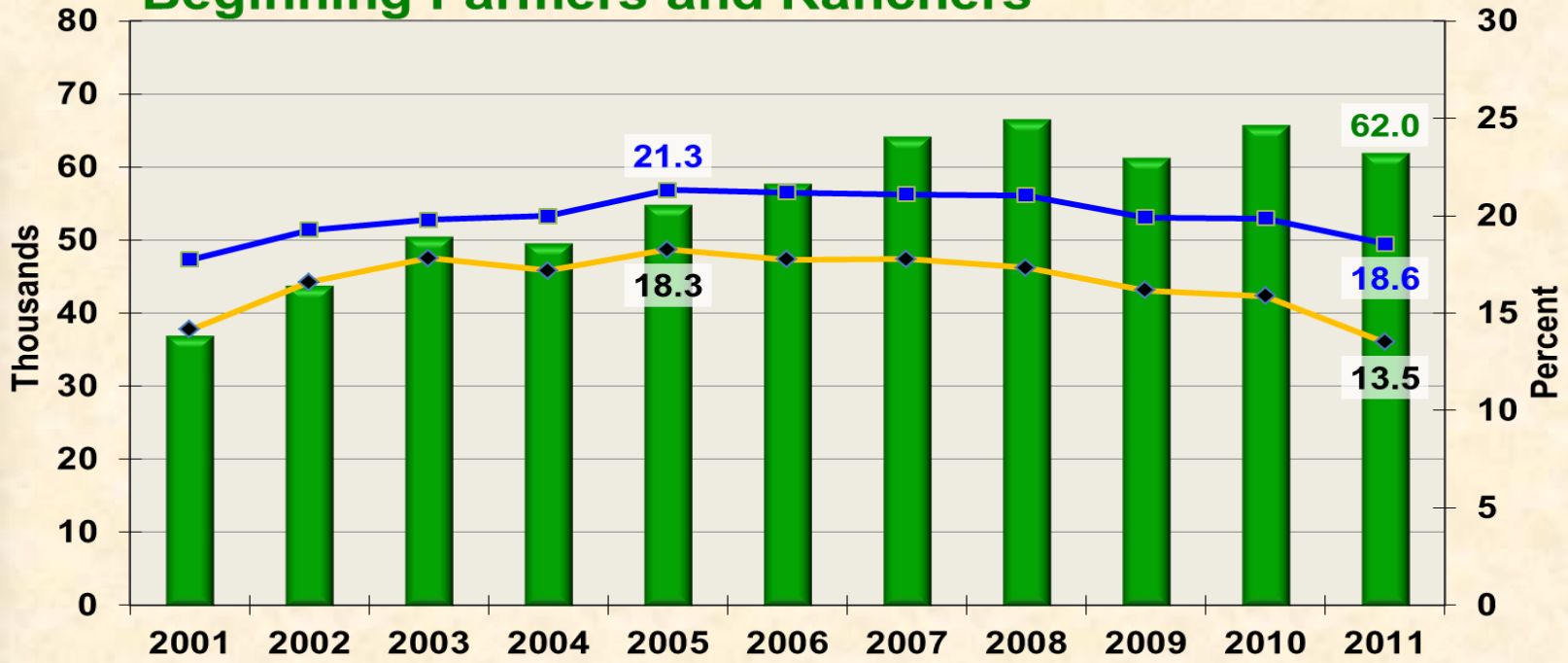
Young Farmers and Ranchers





YBS Loans Made

Beginning Farmers and Ranchers

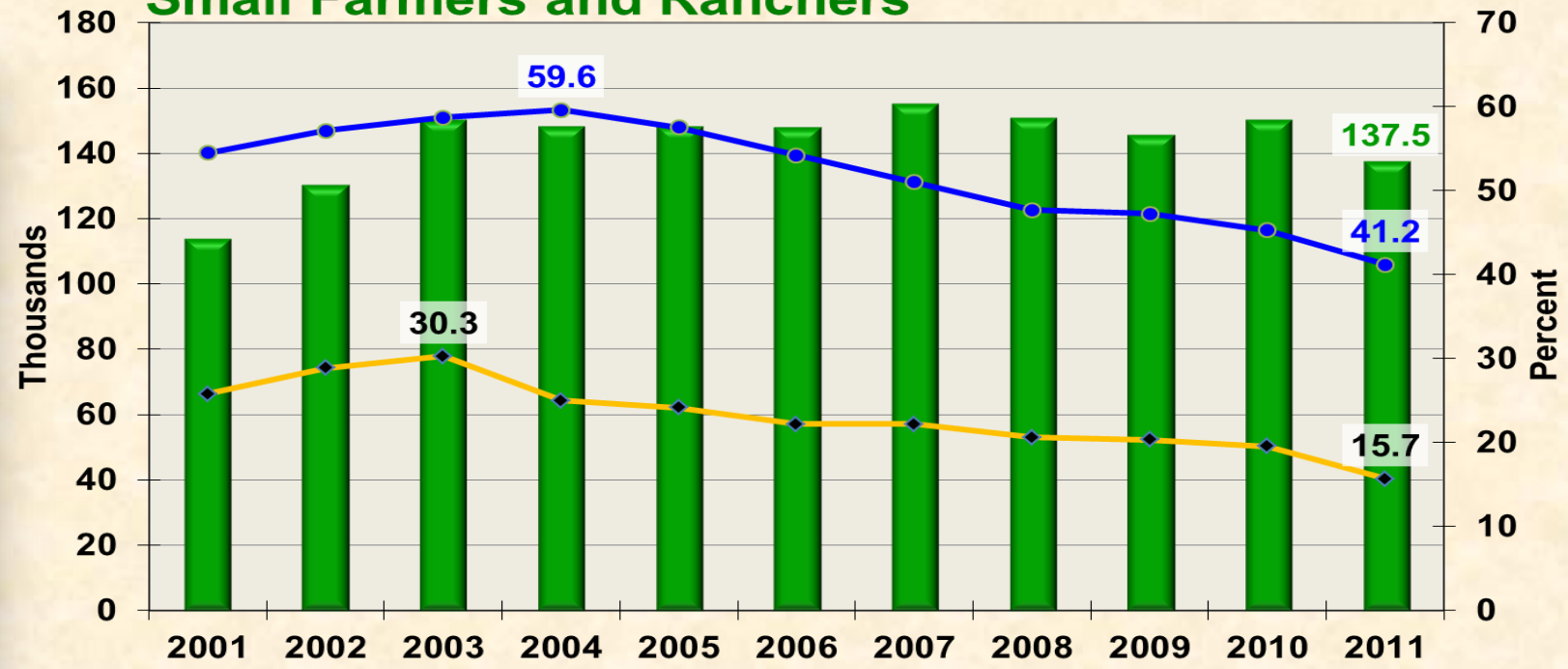


- Number of loans made
- Number of loans made as a percent of total FCS farm loans made
- ◆— Dollars of loans made as a percent of total FCS farm loans made



YBS Loans Made

Small Farmers and Ranchers



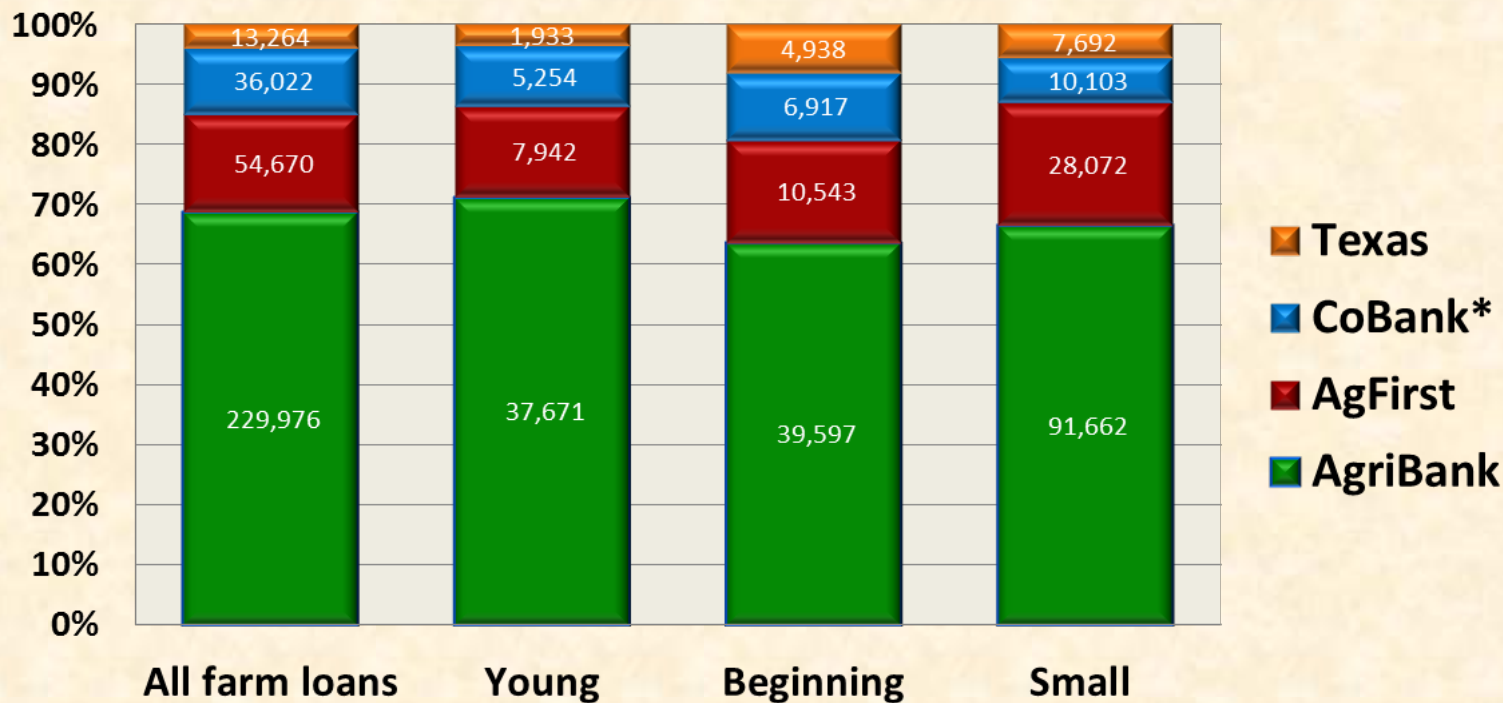
- Number of loans made
- Number of loans made as a percent of total FCS farm loans made
- ◆ Dollars of loans made as a percent of total FCS farm loans made





New 2011 Farm Lending by District

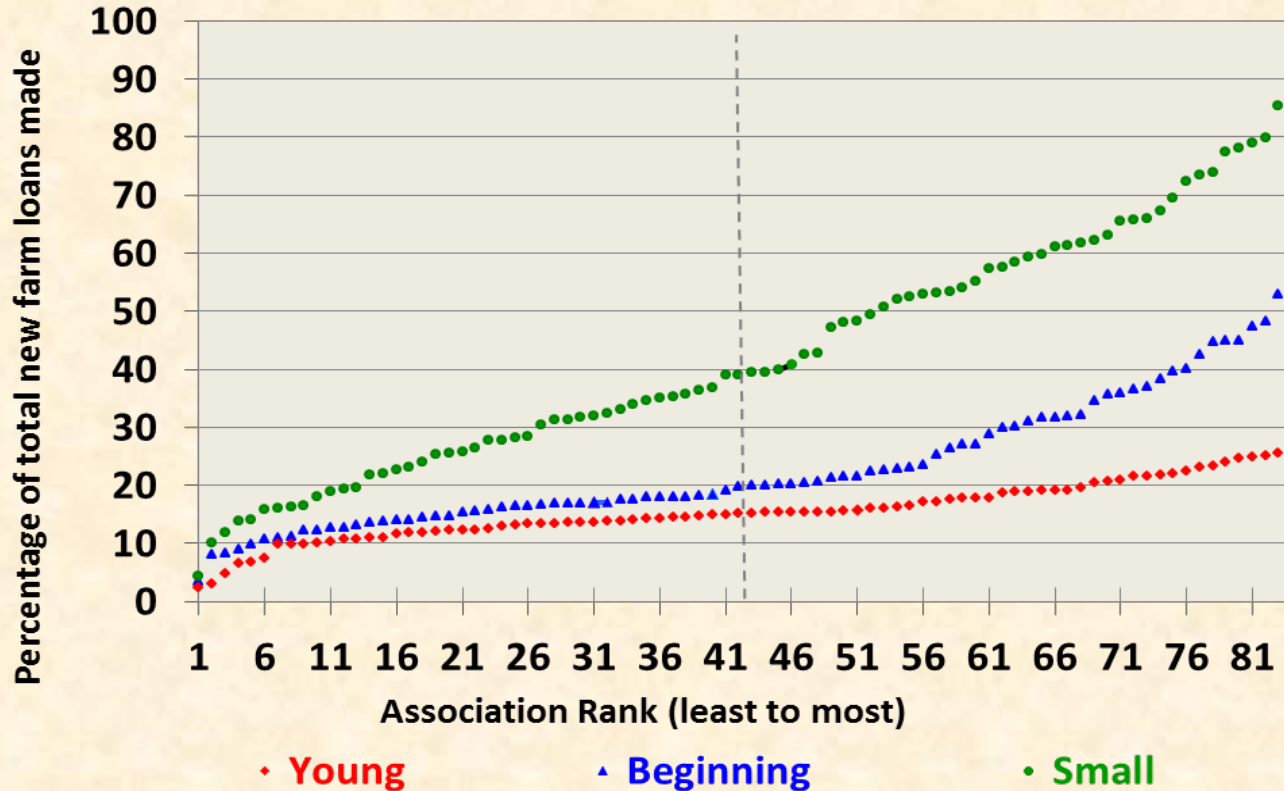
District Loan Counts in 2011



* Includes U.S. AgBank district.



YBS Lending Varies Across Associations

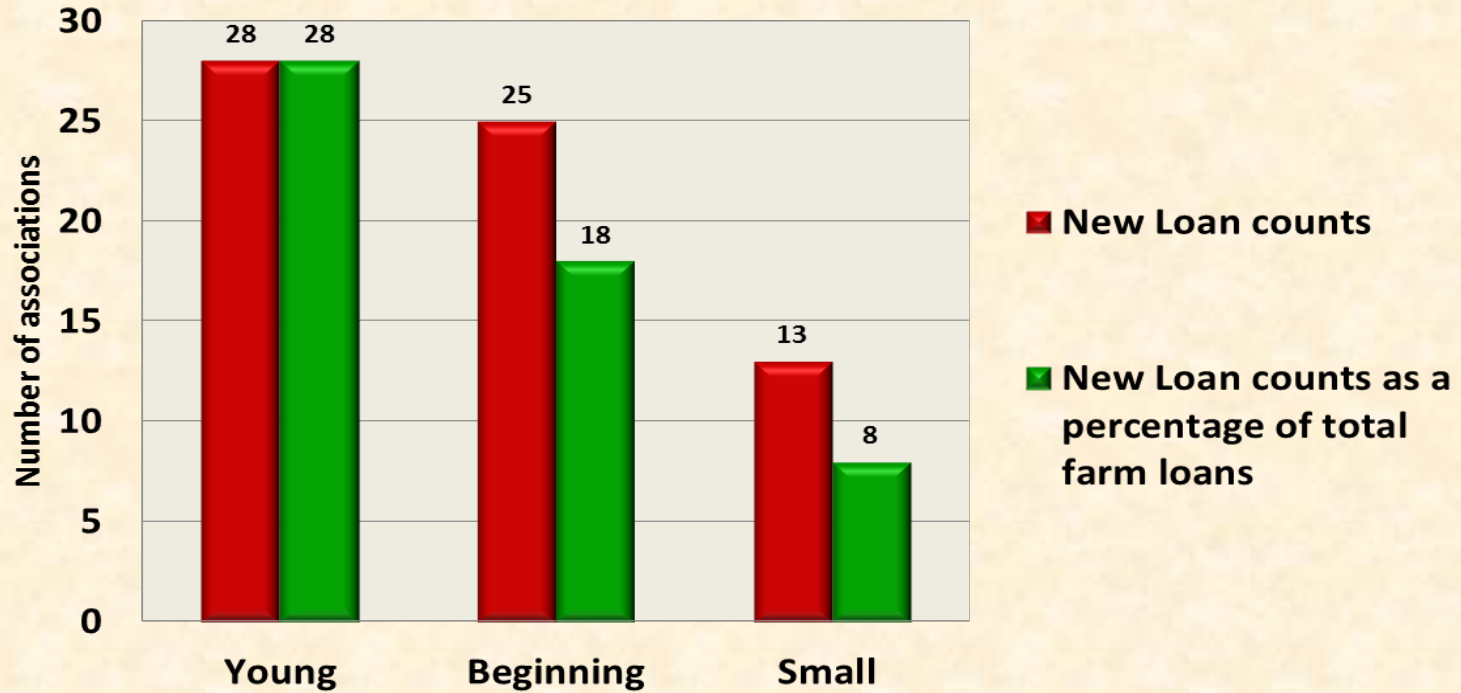




Associations That Increased YBS Lending



Associations with YBS measures that rose in 2011 relative to 2010





Conclusions – The Numbers



- **The downward trend in the share of total new lending made to YBS farmers continued in 2011**
- **Association YBS results vary with individual markets and policies**
- **System YBS performance measures depend heavily on relatively few associations**



2011 YBS Questionnaire



2011 YBS Targets and Achievement



- **Most Associations based YBS lending targets on Loans Numbers/Volume or Percentage of Loan Portfolio**
- **Loan Number/Volume:**
 - 24 Assoc.—Goal increased for 2011
 - 30 Assoc.—Met or exceeded the goal
- **Percentage of portfolio:**
 - 19 Assoc.—Goal unchanged for 2011
 - Mixed results



Most Associations Use FSA Guarantees

- **FSA – 83 associations**
- **Farmer Mac – 34 associations**
- **State and Local – 34 associations**
- **SBA – 14 associations**





Associations That Use YBS Specific Loan Making Tools to Ensure Safe and Sound YBS Loans

Number of Associations	Young	Beginning	Small
Flexible Loan Underwriting Standards	42	42	37
Concessionary Interest Rates	33	33	28
Concessionary Loan Fees	19	20	16



Methods Employed to Implement YBS Programs

- **Advisory Committees**—34 Assocs. received input on YBS farmer issues from Advisory Committees
- **Annual YBS Training**—59 Assocs. provided annual YBS training to staff
- **YBS Performance Criteria**—29 Assocs. tied YBS performance criteria to performance evaluations of management and/or lending staff



Examples of Programs to Educate Current or Potential YBS Borrowers



- **AgBiz Masters Program**
- **Ag Leadership Institutes**
- **Outreach to YBS Farmers on Products and Delivery Methods They Need**
- **Presentations to College Students majoring in Agriculture**
- **Managerial, Marketing, and Risk Symposiums**
- **Participation in Annie's Project**



Methods or Programs to Market and Outreach to Potential YBS Borrowers

- **Urban Farmer Business Plan Training**
- **Sponsorship and Training for Native American Youth**
- **Conference Sponsorship and Participation**
- **Involvements with local Sustainable Agricultural Groups**
- **Partnership with local Universities**
- **Active membership in local trade and community organizations**





Conclusions – The Programs

- **FSA guarantees are used to manage risk in YBS loans.**
- **Underwriting and reduced loans rates and fees are used to help YBS farmers qualify for credit.**
- **Associations are focused on educating current and potential YBS borrowers.**
- **Associations have active marketing and outreach programs to potential YBS farmers.**

