




Transitions in Agriculture: Perspectives on the Farm Credit System

**Farm Credit Administration
Office of Regulatory Policy
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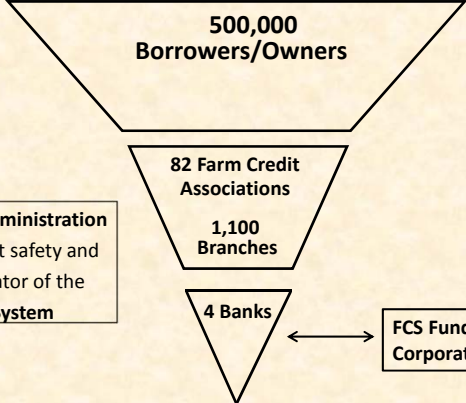
**Steve Koenig, Senior Economist
Mark Johansen, Senior Policy Analyst**



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The Cooperative Farm Credit System Today



**500,000
Borrowers/Owners**

**82 Farm Credit
Associations
1,100
Branches**

4 Banks


The Farm Credit Administration is the independent safety and soundness regulator of the Farm Credit System

FCS Funding Corporation


System Total Loans: \$192 B
System Total Assets \$247 B
Systemwide Total Debt Securities: \$198 B
System Total Capital: \$39 B
System Annualized Net Income: \$4.1 B

As of December 31, 2012.

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Farm Credit System Mission



Outlined by the U.S. Congress via the Farm Credit Act:

- Provide sound and dependable credit services to improve the income and well-being of U.S. Agriculture and rural America
- Supply an adequate and flexible flow of money – in good times and bad times - at competitive interest rates and terms
- Ensure borrowers' participation in governance and ownership
- Respond to the needs of all types of *creditworthy* producers

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The Last 100 Years



1910s Farm Prosperity – Rising Costs & Access to Affordable Credit

- 1916: Federal Farm Loan Act creates Federal Land Banks
- 1920: 1/3 of the population working and living on a farm


1920s-1930s Farm Recession - Solving Creditworthiness

- 1923: Federal Intermediate Credit Banks
- 1933: Banks for Cooperatives, PCAs, FCA
- 1935: Farm count 6.8 million (peak)

1970s Farm Prosperity – Rising Costs & Access to Affordable Credit

- 1969: Farm count 2.7 million
- 1969: Commission on Ag Credit
- 1971: Farm Credit Act
- 1974: Financial Needs of Young Farmers Conference
- 1979: Structural change study - "*A Time to Choose*"
- 1980: Amendments to Farm Credit Act

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Addressing Credit Needs - The YBS Mission


- **1980 Amendments under Section 4.19 of the Farm Credit Act of 1971**

Young, Beginning, and Small (YBS) Borrowers

- **System institutions must:**
 - **Have a program for furnishing sound, constructive credit, and related services to young, beginning, and small farmers and ranchers**
 - **Coordinate their YBS lending with other lenders**
 - **Submit annual reports on YBS activities & progress**




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What is a YBS Farmer?

- **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**



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The YBS Program

- **Regulation – 614.4165**
Direct lender YBS programs must have:
 - a mission statement & means to achieve objectives;
 - a place in operational & strategic business plans;
 - quantitative targets based on demographic data;
 - qualitative goals;
 - outreach efforts;
 - procedures to ensure YBS credit is provided within risk-bearing capacity;
 - Board oversight & quarterly reporting.




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YBS Loan Decision

- **Addressing the “Creditworthiness” challenges in loan making:**
 - Capital/financial position, collateral, capacity to repay, or performance history
- **Loan underwriting tools used:**
 - Flexible underwriting standards
 - Concessionary interest rates/loan fees/terms
 - Loan guarantees/government programs
 - Dedicated capital




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YBS Loan Decision

- Addressing the “Operational Success” challenges
 - Farming experience or expertise
 - Production or financial/business skills
- Education/Training/Financial services tools
 - Reduced cost/fees on financial services
 - Business/financial planning training
 - Risk management/marketing training
 - Grants & scholarships programs for training
 - Mentoring




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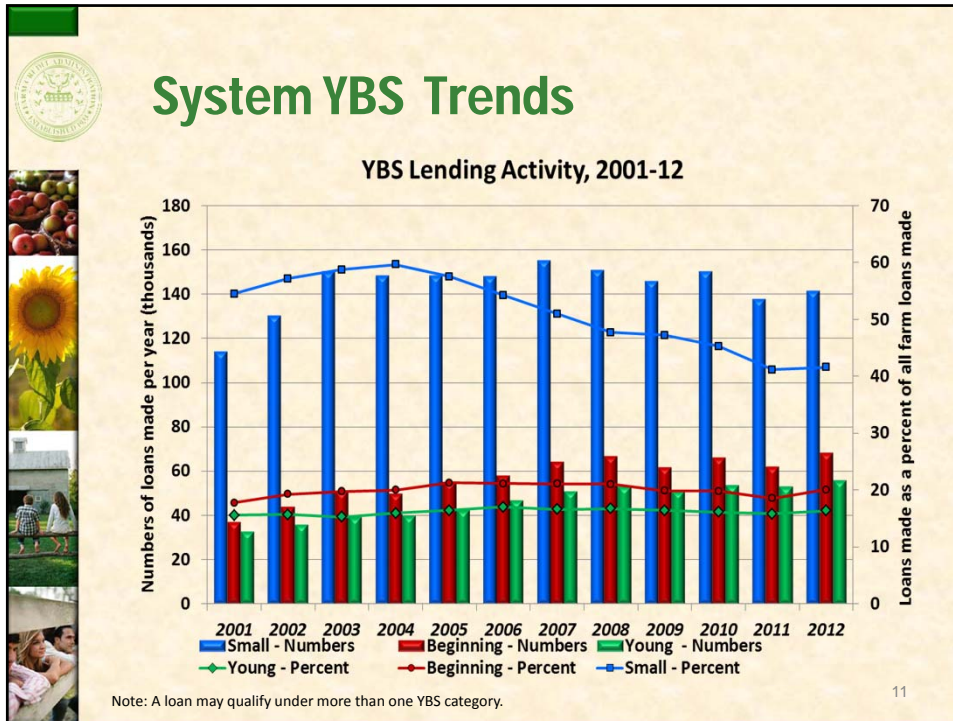
YBS Outreach

Addressing the “Outreach” challenges

- Type of agriculture practiced
- Location
- New start-ups vs. linkages to existing operations
- Tools
 - YBS Advisory Committees
 - Marketing efforts specifically targeted to YBS
 - Workshops/Conference Sponsorships



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Data, Definitions, Research Challenges

- **Better understanding of the role of credit**
- **Improvement in data & information gaps:**
 - Those already in agriculture – Ag Census:
 - Lacks credit & financial information
 - 5 year snap shot
 - Does it capture all entrants? eg. urban agriculture
 - Is the farm definition appropriate?
 - Those that tried to enter agriculture, but failed
 - Those that would like to enter agriculture, but have not
 - Those that service agriculture - land owners
- **Are definitions of young, beginning, small, or entering/exiting farmers appropriate?**

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Questions?



- Mark Johansen JohansenM@FCA.GOV 703-883-4064
- Steve Koenig KoenigS@FCA.GOV 703-883-4362
- More information: <http://www.fca.gov/info/ybs.html>

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