



FCA's Annual Report on the Farm Credit System's Young, Beginning, and Small Farmer Mission Performance: 2010 Results

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Mark Johansen, Senior Policy Analyst
Steve Koenig, Senior Financial Analyst





Outline



- **System's YBS Mission**
- **Trends for YBS Farmers**
- **System's 2010 YBS Numbers**
- **YBS Questionnaire**
- **Conclusions**





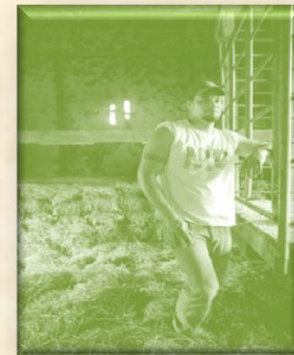
The YBS Mission



- **Farm Credit Act - 1980 Amendments – Establishes YBS Mission and Requires:**
 - Each FCS institution to have a program for furnishing sound, constructive credit, and related services to YBS borrowers
 - Each FCS bank 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



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





Overall YBS Market – Observations From 2009 USDA Survey Data



- **Young farmer numbers**
 - 4% of primary operators are under 35
 - Nearly half consider farming to be primary occupation
 - Majority operate small farms
- **Beginning farmer numbers**
 - 21% of family farms have beginning operators
 - Tend to operate small farms
 - 1 in 7 are under 35 years old, 1 in 10 are over 65
- **Small farm population**
 - 90% of all farms
 - Rising farm prices push some out of the “Small” category
 - Wide range of farms, including lifestyle and retirement farms



2010 YBS Results



YBS Loans Outstanding As of December 31, 2010

| | Number of loans | Percentage of total number | Dollar volume of loans in billions* | Percentage of total volume |
|----------------------------|-----------------------|----------------------------------|---|----------------------------------|
| Young farmers/ranchers | 162,982 | 18.3 | \$21.1 | 11.7 |
| Beginning farmers/ranchers | 231,975 | 26.1 | \$34.3 | 19.1 |
| Small farmers/ranchers | 485,148 | 54.5 | \$43.7 | 24.4 |

YBS Loans Made During 2010 As of December 31, 2010

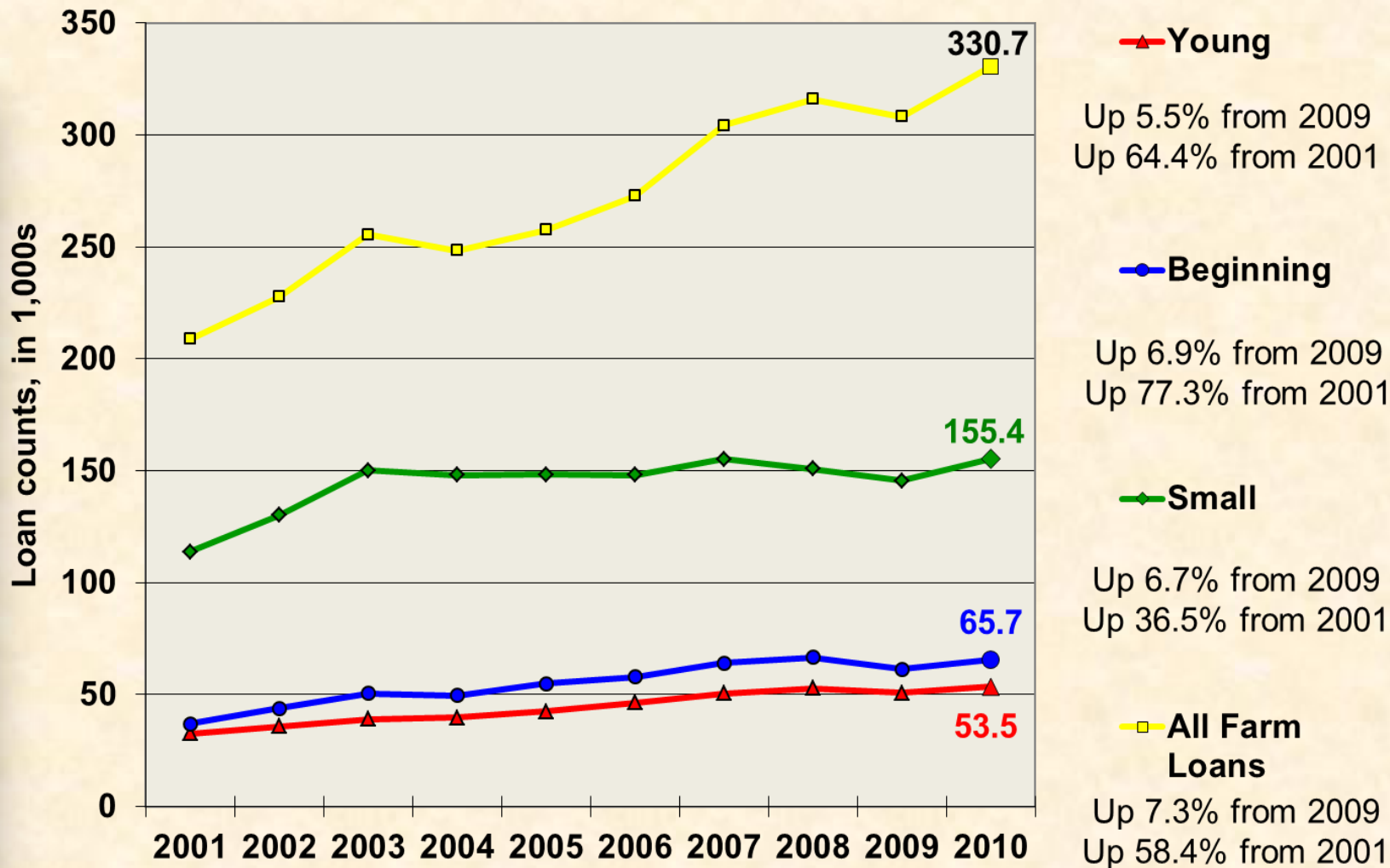
| | Number of loans | Percentage of total number | Dollar volume of loans in billions* | Percentage of total volume |
|----------------------------|-----------------------|----------------------------------|---|----------------------------------|
| Young farmers/ranchers | 53,470 | 16.2 | \$7.3 | 11.4 |
| Beginning farmers/ranchers | 65,653 | 19.9 | \$10.3 | 16.0 |
| Small farmers/ranchers | 155,371 | 47.0 | \$13.1 | 20.4 |

* Includes actual advances plus commitments; all loans are basically Title I and II. See 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.

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

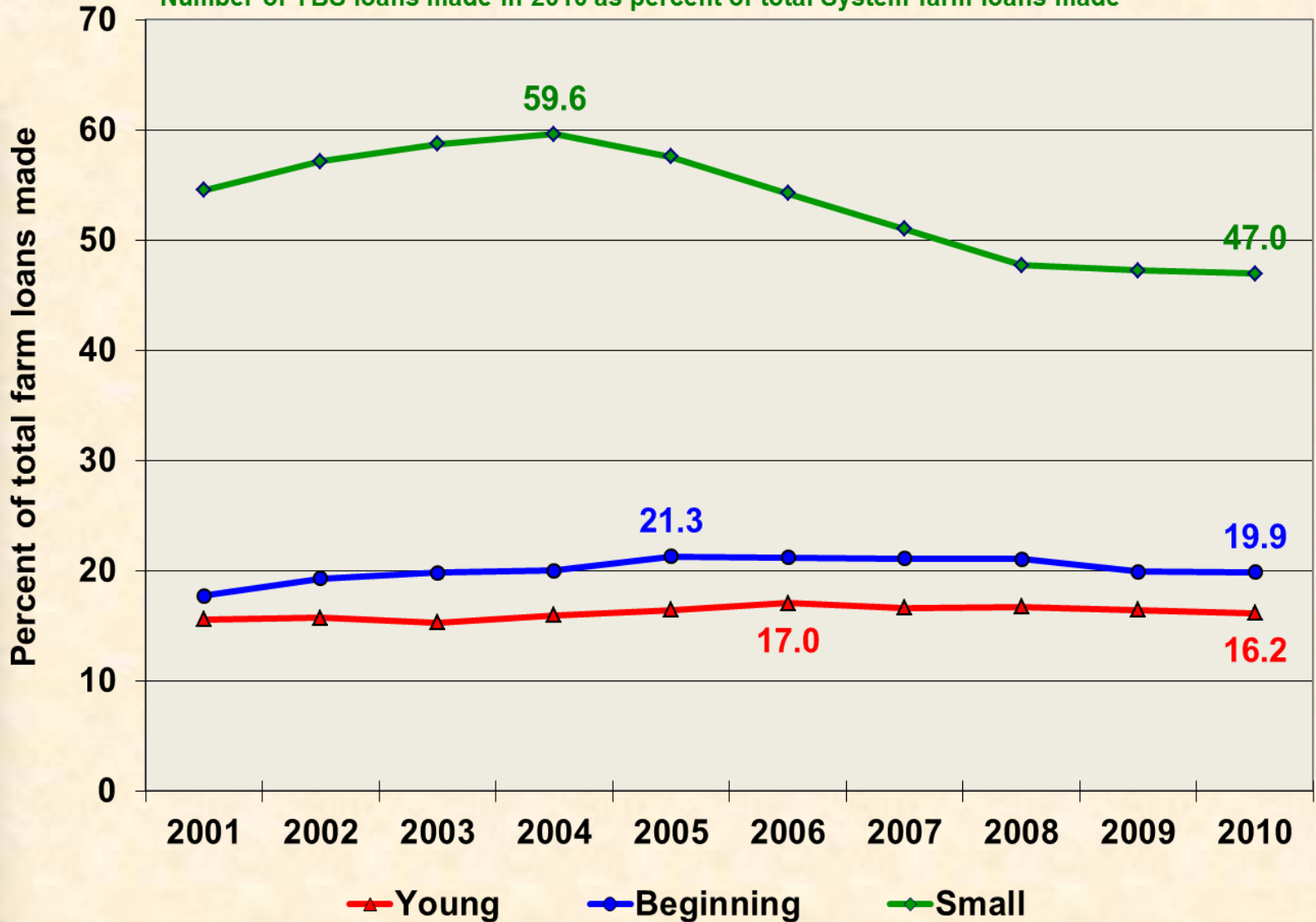


Number of YBS Loans Made



Number of YBS Loans Made

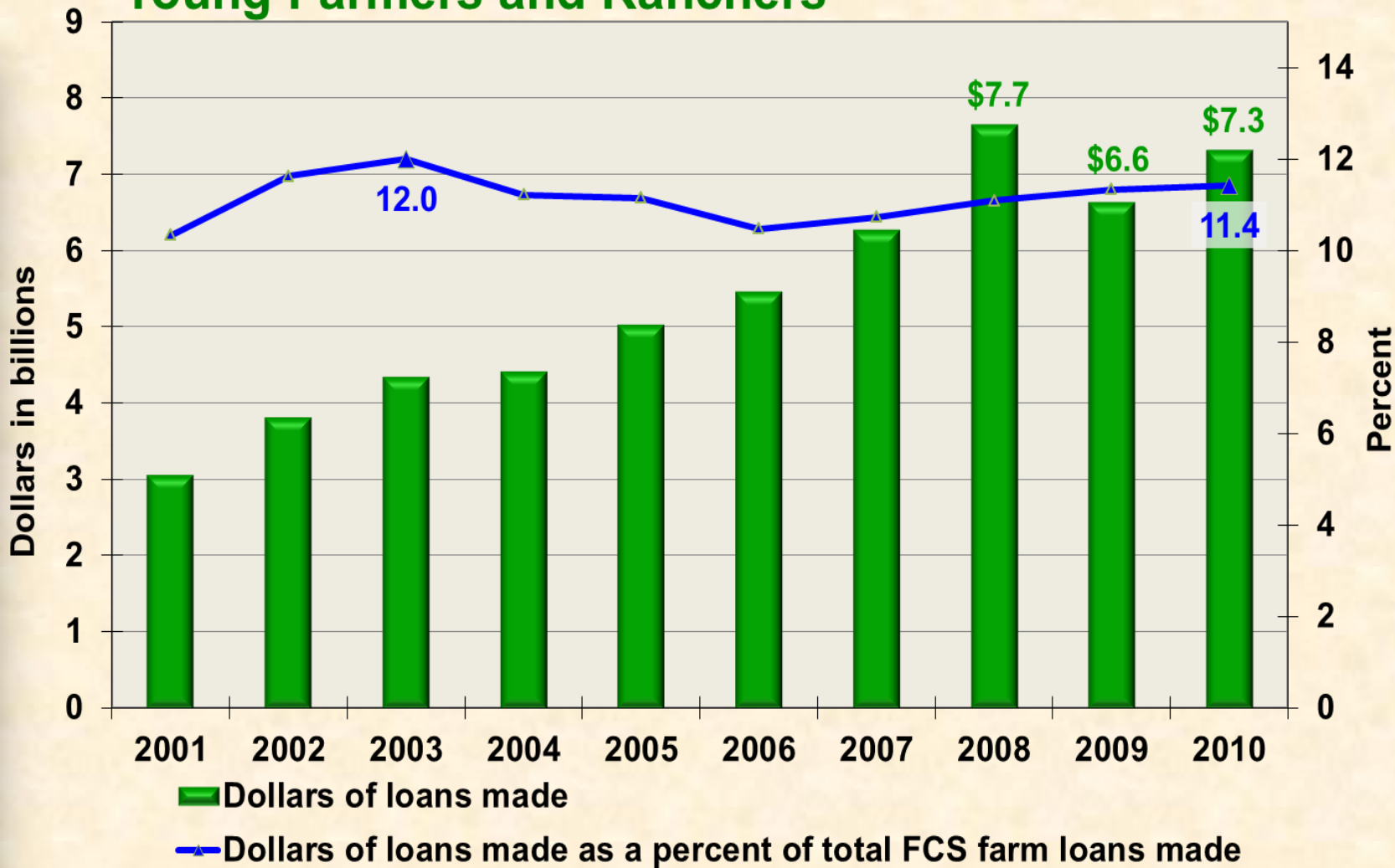
Number of YBS loans made in 2010 as percent of total System farm loans made





Volume of YBS Loans Made

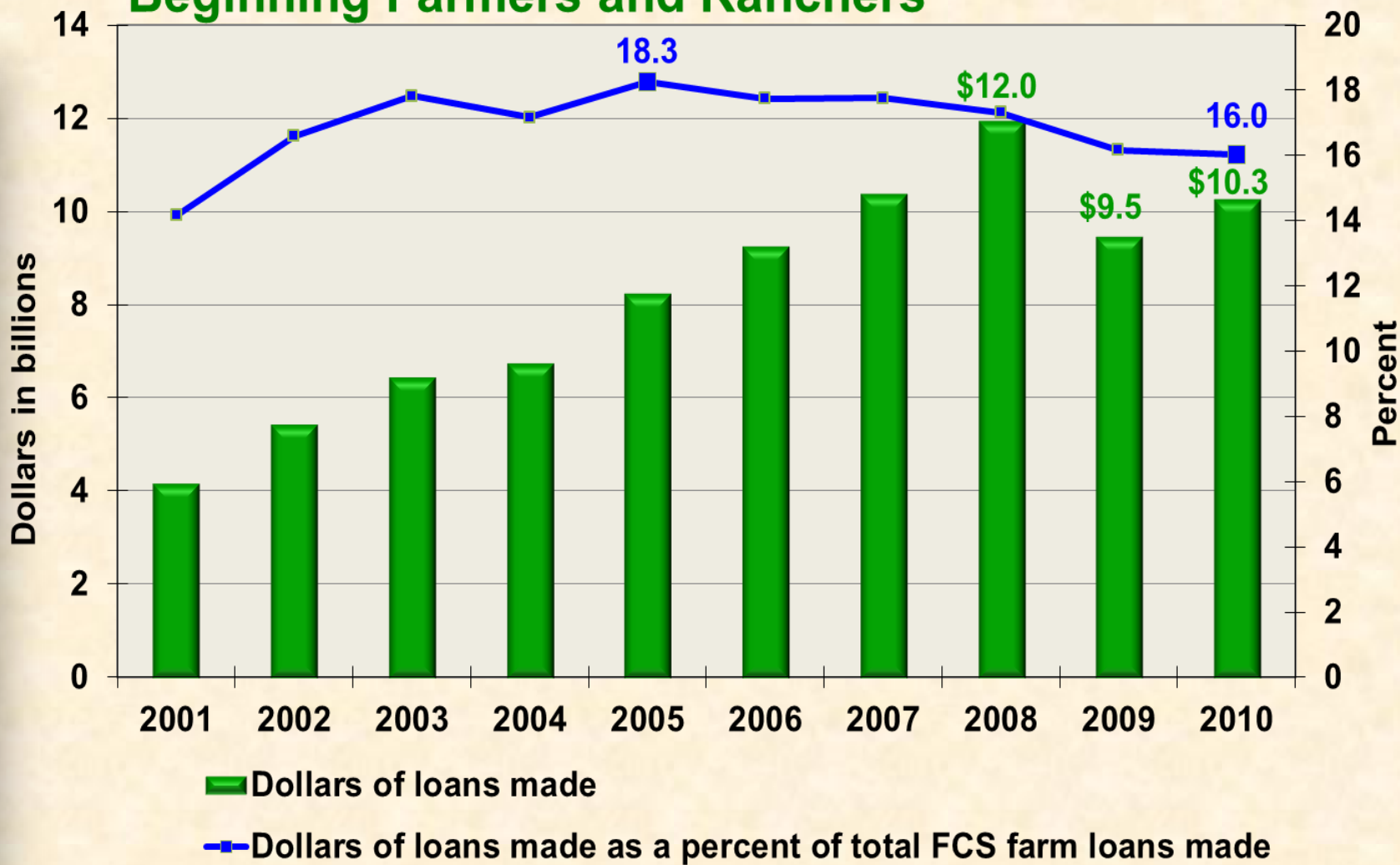
Young Farmers and Ranchers





Volume of YBS Loans Made

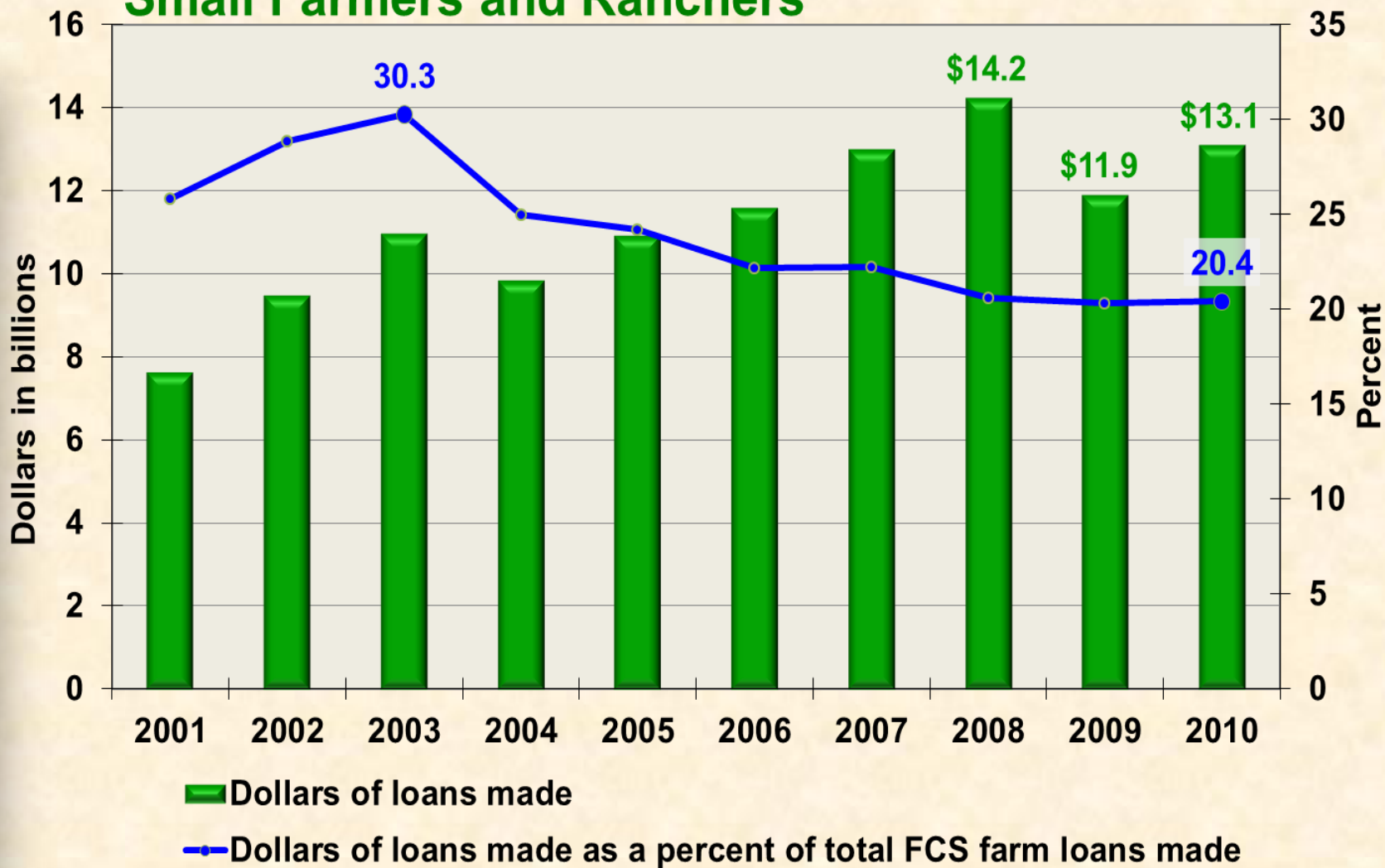
Beginning Farmers and Ranchers





Volume of YBS Loans Made

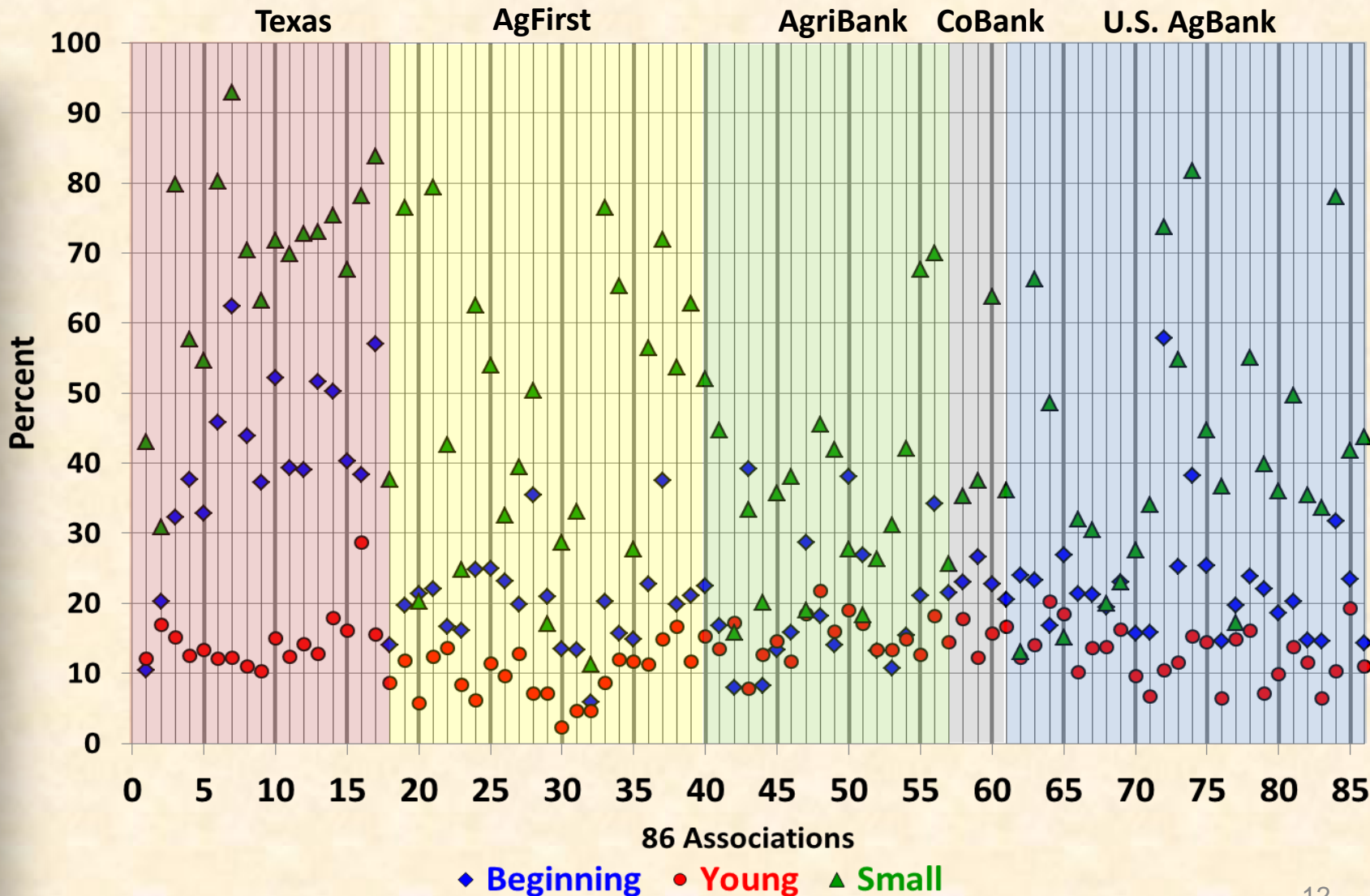
Small Farmers and Ranchers





YBS Results Vary with the Market Being Served

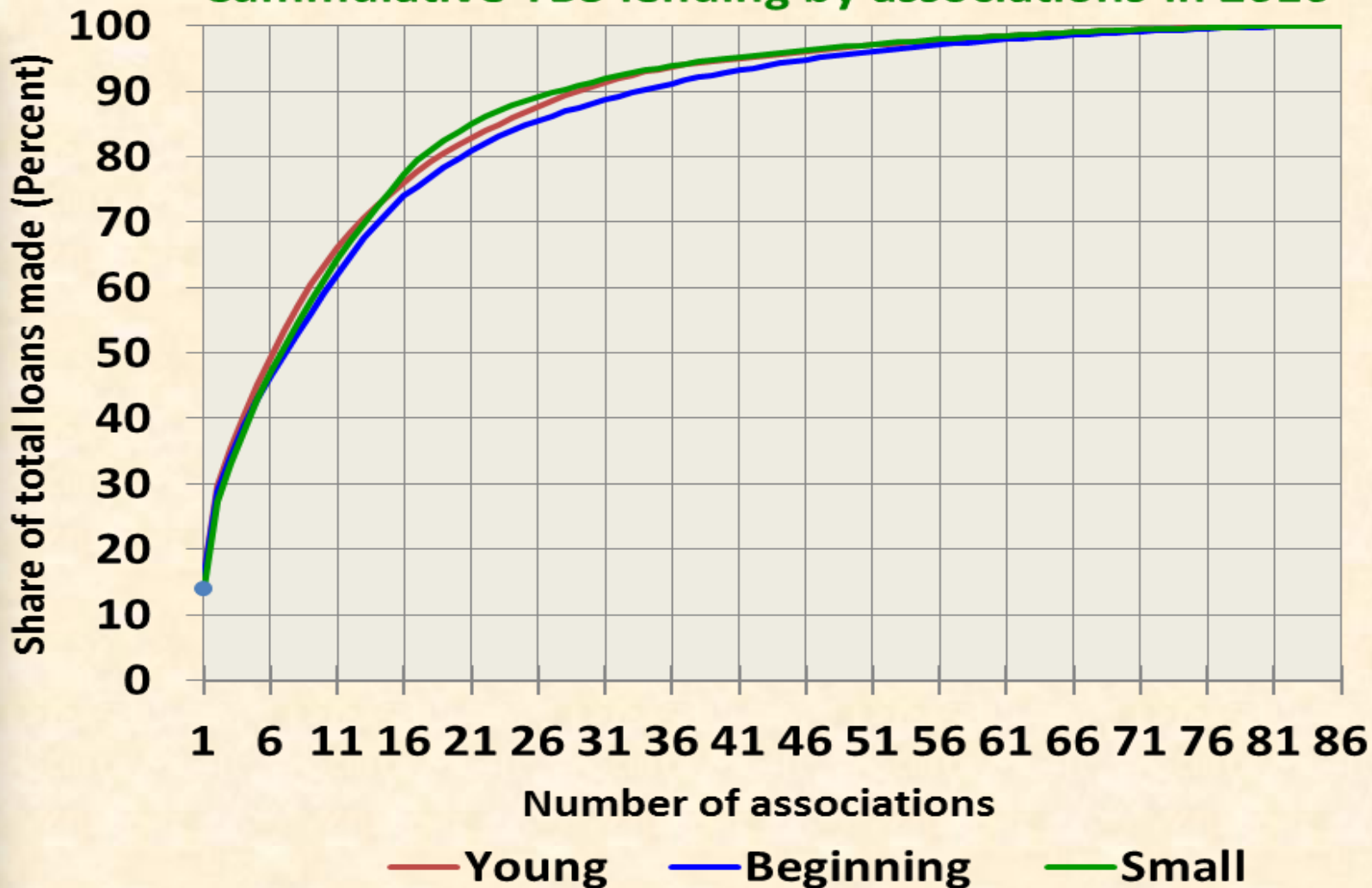
Share of Each Association's Total 2010 New Farm Loans Made to YBS



Most YBS Volume Comes From a Few Associations



Cummulative YBS lending by associations in 2010





Conclusions – The Numbers

- YBS loan numbers and dollar volumes rebound
- The share of total new farm loans going to each YBS category inched lower, while the share of total new dollar volume to each category was more stable
- As in the past, individual association YBS results varied considerably depending on individual markets and policies
- System YBS performance measures are heavily influenced by the activity of relatively few associations





2010 YBS Questionnaire



2010 Questionnaire

- **New Questions that Emphasized YBS Programs**
 - Market and/or Demographic Survey
 - Staff Training
 - Outside Grants
 - Capital Committed for YBS Lending
 - Loans Made to Family Members of Existing Farmers and New Farm Families
 - Direct-to-Consumer Marketing





Some Associations Conduct Their Own Survey - Most Use USDA Census

- **31 Associations use their own survey**
- **71 Associations use an outside survey**
- **25 Associations use both**
- **Most popular outside survey is the Census of Agriculture**





Market Opportunities Identified

47 Associations Identified Opportunities

Examples:

- 1st Generation Producers Who Direct Market, Women Start-Up, Minority Producers**
- Beginning Farmers in Emerging Markets**
- Farm to Market; Small Farm Market Niches**
- Urban Agriculture in Metro Areas**



Most Associations Use FSA Guarantees

- FSA – 83 associations
- SBA – 15 associations
- Farmer Mac – 24 associations
- State and Local – 13 associations





More Associations Use Flexible Underwriting Standards As a Credit Enhancement

| | Young | Beginning | Small |
|---|-----------|-----------|-----------|
| Flexible Loan Underwriting Standards | 46 | 45 | 40 |
| Concessionary Interest Rates | 34 | 34 | 30 |
| Concessionary Loan Fees | 21 | 20 | 20 |
| Differential Loan Covenants | 9 | 7 | 5 |



Most Associations Provide Training or Services to YBS Farmers



| | Associations |
|---------------------------------------|--------------|
| Business/financial skills | 61 |
| Insurance services | 61 |
| Leadership training | 54 |
| Farm business consulting services | 25 |
| Tax planning and preparation services | 14 |
| Recordkeeping services | 18 |
| Other | 21 |



Methods or Programs to Educate Potential YBS Borrowers

- “Succeeding Through Knowledge” program with Farm Bureau
- Sponsorship of OSU Student Board of Directors
- Sponsorship of FFA Competitions and Events
- Presentations to College Students Majoring in Agriculture
- Alliance with Young Farmers Educational Association
- Host of “Emerging Entrepreneurs Conference”





Methods or Programs to Market and Outreach to Potential YBS Borrowers

- **Agricultural Trade Shows**
- **Sponsorship of Local Farmers Market**
- **Farm Bureau Young Farm Family Program**
- **Groundbreakers educational conference attended by 275 YBS producers in 2010**
- **Junior College FFA Field Days**
- **Radio Advertising**





Conclusions – The Programs

- Associations use a combination of internal and external surveys; Census of Agriculture the most popular.
- Most associations use FSA guarantees to manage the risk in their YBS loans.
- Underwriting and reduced loans rates and fees are used to help YBS farmers qualify for credit.
- Associations are focused on educating new and potential YBS borrowers.

