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Fact Sheet on Farm Credit System Young, Beginning, and Small (YBS) Farmer Lending Results for 2018

The following information summarizes Farm Credit System 2018 lending activity to young, beginning, and small (YBS) farmers, ranchers, and producers or harvesters of aquatic products.

Outstanding loans

From Dec. 31, 2017, to Dec. 31, 2018, dollar volume outstanding for total System loans grew by 3.2%. Loan dollar volume outstanding to young farmers grew by 6.2%, to beginning farmers by 4.5%, and to small farmers by 1.8%.

While the dollar volume of loans outstanding grew, the *number* of total System loans outstanding declined by 9.5%. The number of loans outstanding to young farmers declined by 5.3%, to beginning farmers by 3.8%, and to small farmers by 6.8%.

New loans

The System's overall *new* loan dollar volume increased by 12.2% in 2018. New loan dollar volume to young farmers increased by 7.6%, to beginning farmers by 7.1%, and to small farmers by 6.8%.

For total System loans, the number of new loans made in 2018 declined by 21.4% compared with 2017. The number of loans to young farmers declined by 17.7%, to beginning farmers by 15.5%, and to small farmers by 16.1%.

Young — In 2018, the System reported making 46,680 loans to young farmers — that is, to those who are 35 years old or younger. The volume of total new loans to young farmers amounted to \$9.8 billion. The loans to young farmers in 2018 represented 18.1% of all loans the System made during the year and 11.4% of the dollar volume of loans made. At the end of 2018, the System reported 177,132 loans outstanding to young farmers, totaling \$30.9 billion.

Beginning — In 2018, the System reported making 62,323 loans to beginning farmers — that is, to those who have been farming for 10 years or less. The volume of total new loans to beginning farmers amounted to \$13.3 billion in 2018. The loans made to beginning farmers in 2018 represented 24.2% of all System loans made during the year and 15.6% of

the dollar volume of loans made. At the end of 2018, the System reported 268,444 loans outstanding to beginning farmers, totaling \$47.1 billion.

Small — In 2018, System institutions reported making 114,817 loans, totaling \$12.5 billion, to small farmers — that is, to those with gross annual sales of less than \$250,000. The loans in 2018 to farmers in this category represented 44.6% of all loans made during the year and 14.6% of the dollar volume of loans made. At the end of 2018, the System reported 456,305 loans outstanding to small farmers, totaling \$49.5 billion.

Total — In 2018, the System reported making a total of 257,318 new loans, totaling \$85.7 billion. The total number of outstanding loans at year-end 2018 was 910,111, amounting to \$263.8 billion.

YBS loans made during 2018

YBS category	Number of loans	Percentage of total number of System loans	Dollar volume of loans in millions	Percentage of total volume of System loans	Average loan size
Young	46,680	18.1%	\$9,765	11.4%	\$209,200
Beginning	62,323	24.2%	\$13,327	15.6%	\$213,839
Small	114,817	44.6%	\$12,479	14.6%	\$108,684

YBS loans outstanding as of Dec. 31, 2018

YBS category	Number of loans	Percentage of total number of System loans	Dollar volume of loans in millions	Percentage of total volume of System loans	Average loan size
Young	177,132	19.5%	\$30,885	11.7%	\$174,363
Beginning	268,444	29.5%	\$47,100	17.9%	\$175,455
Small	456,305	50.1%	\$49,533	18.8%	\$108,552

Sources: Annual YBS Farmer Reports submitted by each System lender through the Farm Credit banks.

Note: Because the YBS mission is focused on each borrower group separately, data are reported separately for each of the three YBS borrower categories. Since some loans fit more than one category, adding the loans across categories does not produce an accurate measure of the System's YBS lending involvement.

The decrease in the number of new and outstanding loans was primarily driven by the way System institutions have been tracking loan participations — which are loans that are shared by two or more institutions. Under the current approach and FCA's direction for reporting, an institution may count each participation interest as a separate loan for FCA's YBS reporting. Therefore, each institution participating in a multi-lender credit to an individual YBS farmer may count that credit in its YBS reporting. This leads to duplication when the YBS and non-YBS numbers are consolidated at the System-wide level.

In 2018, a change in how certain credits are shared led to a reduction in reported loan numbers. FCA issued an advance notice of proposed rulemaking in February of this year as a first step in a multi-year effort to improve and modernize YBS activities. FCA is actively working to update guidance, methodology, data collection, and evaluation of YBS activities.

In addition to collecting quantitative data about loans to YBS borrowers, System institutions are also required to provide qualitative data about their service to YBS borrowers. That includes reporting about the various strategies they use to serve the needs of YBS borrowers.

For example, most institutions use federal or state loan guarantees as part of their YBS programs. Some institutions have specific YBS capital commitment programs to mitigate credit risk and help them make YBS loans. Some institutions also use YBS-specific underwriting standards, personal guarantors, and co-signers.

FCA regulations require institutions to establish goals for offering “related” services to YBS farmers, as well as credit. To provide these services, institutions coordinate with other System institutions and government and private sources. Examples of services offered in 2018 include the following:

- Crop insurance
- Risk management seminars
- Financial document preparation
- Educational courses
- Farm management seminars
- Generational transfer workshops

They also conducted new studies or updated previous studies that researched the demographic diversity and financial needs of current and potential YBS farmers. These studies helped the institutions identify new and underserved market segments.

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