



FCA's Annual Report on the Farm Credit System's Young, Beginning, and Small Farmer Mission Performance: 2008 Results

**Office of Regulatory Policy
FCA Board Meeting
June 11, 2009**

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Outline



- **The System's YBS mission**
- **The 2007 Census of Agriculture; YBS**
- **YBS lending results for 2008**
- **YBS lending programs**
- **Conclusions**





The 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 (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: (apply at time the loan is made)

- **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**

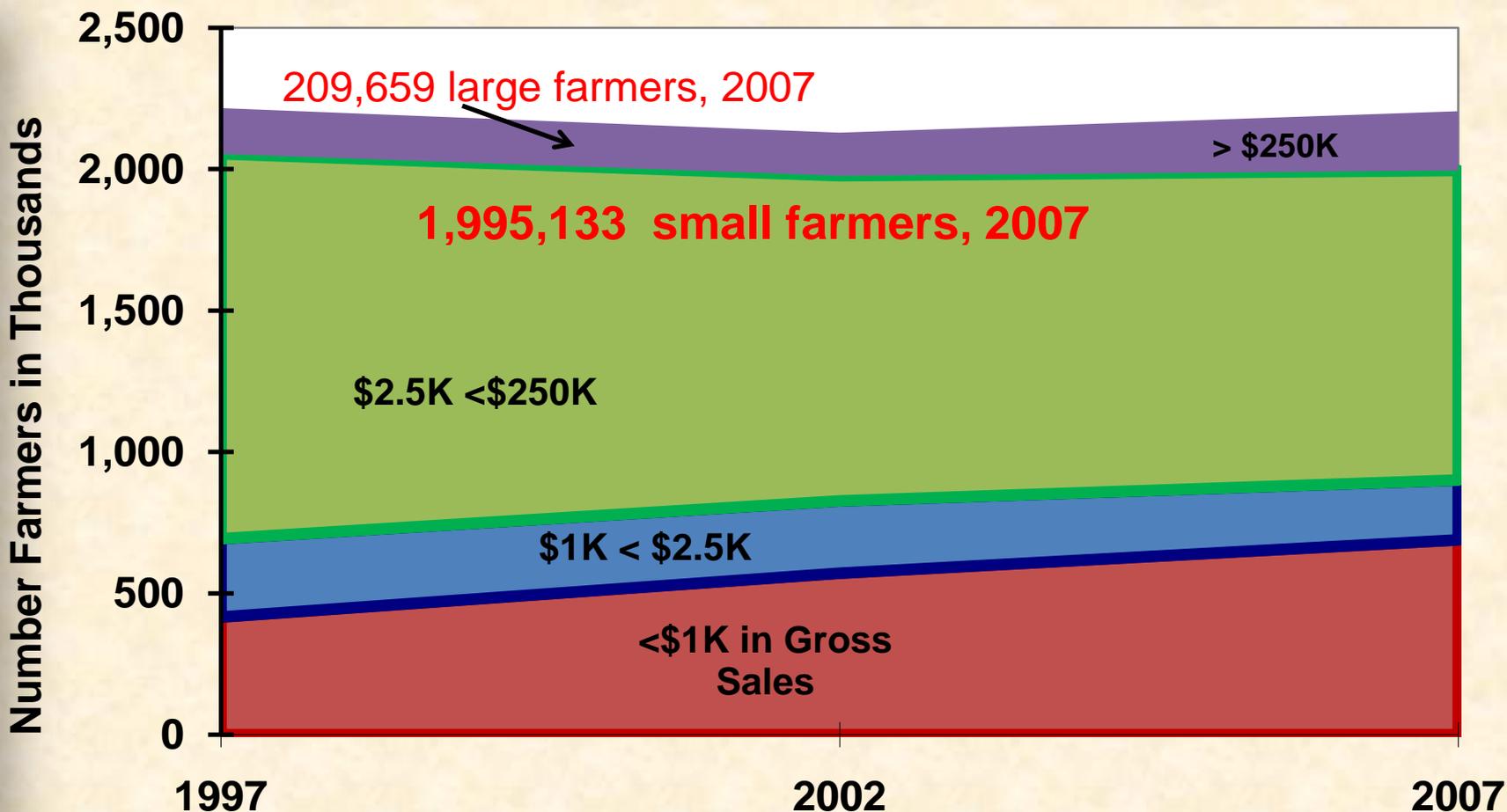
Important Data Clarifications:

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





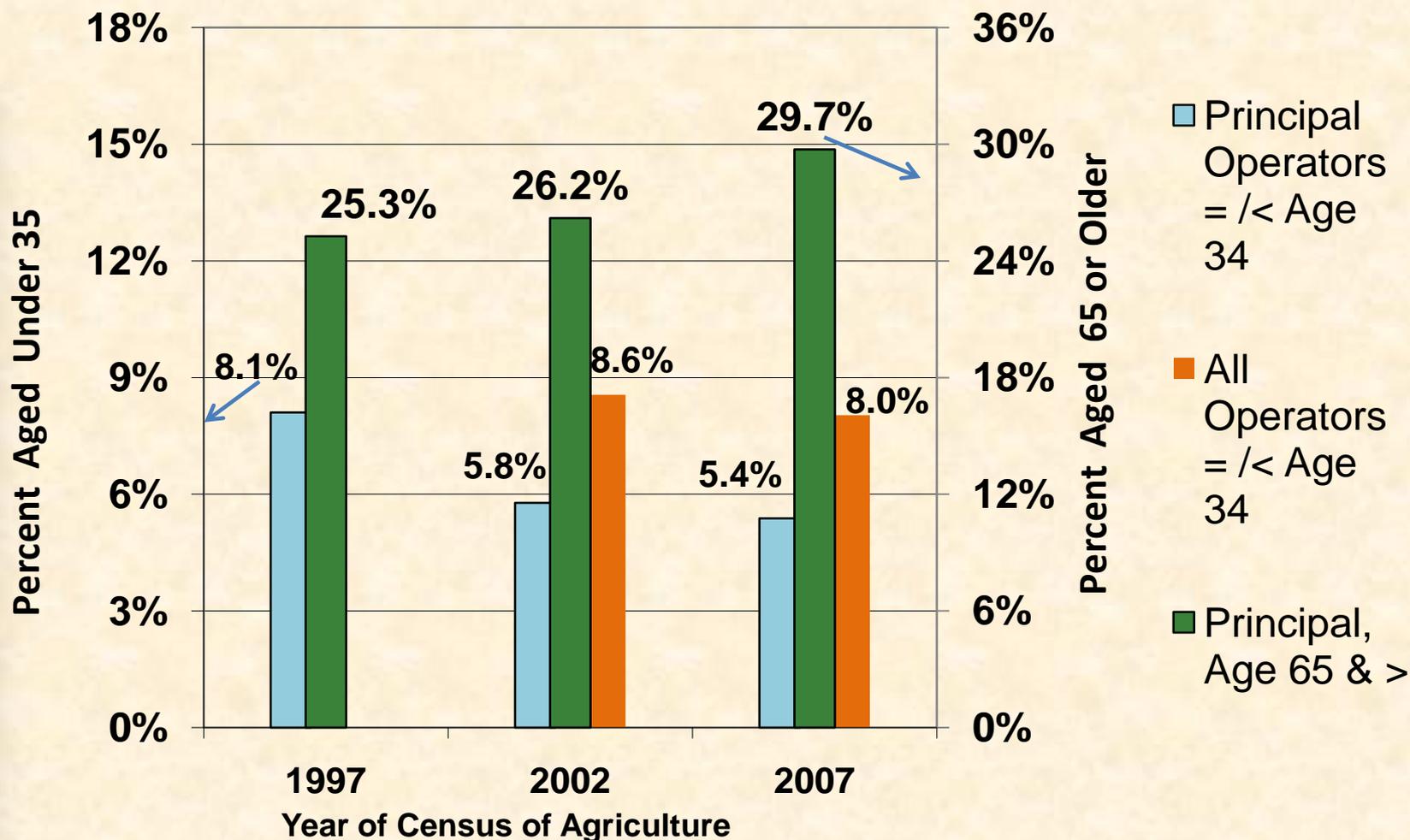
Ag Census Shows Farmer Numbers Level since 1997, but Mix is Changing



Source: Census of Agriculture



Ag Census - Declining Percentage of Young Farmers, Increasing Percentage Over Age 65



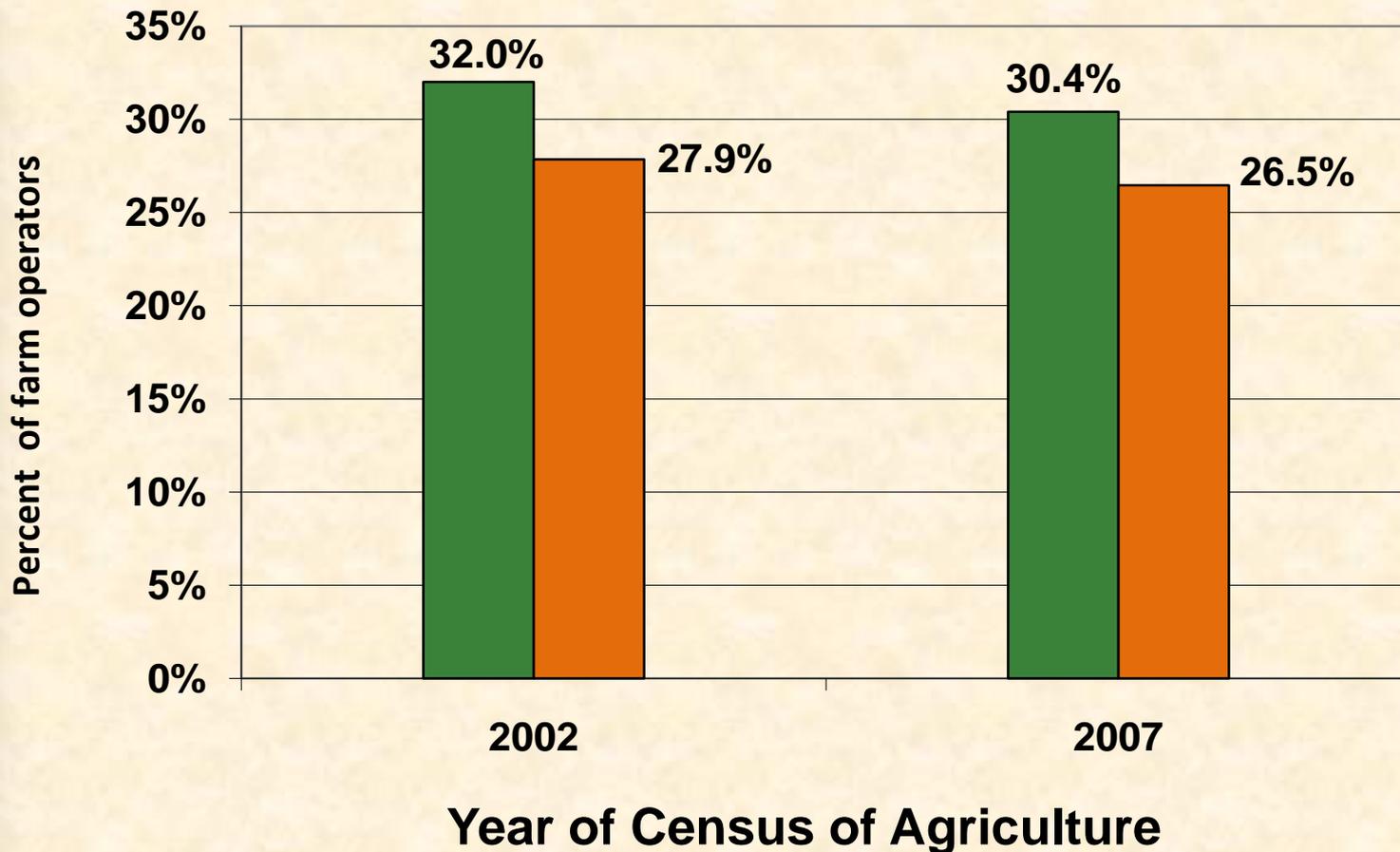
•The number of farmers (principal operators) **increased** by 3.5% (76K farmers) between 2002 and 2007.

Source: Census of Agriculture



Ag Census - Declining Percentage of **Beginning** Farmers

■ All Operators < 10 yrs ■ Principal operators < 10 yrs

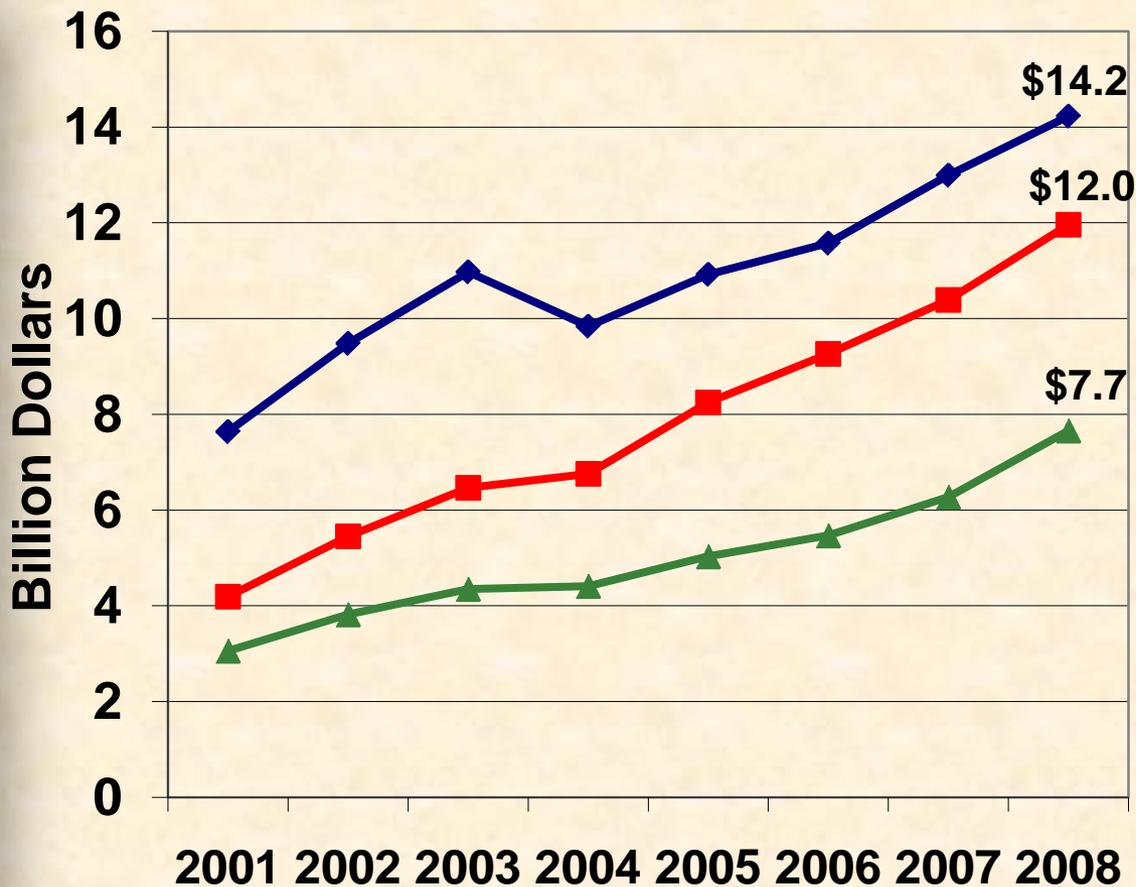


Source: Census of Agriculture



Volume of YBS Loans Made in 2008

Upward Trends Continue



- ◆ Small Farmers
Up \$1.2 Billion or 9.5% from 2007
- Beginning Farmers
Up \$1.6 Billion or 15.1%
- ▲ Young Farmers
Up \$1.4 Billion or 22.1%

All Farm Loan Volume Made was up \$10.6 Billion, 18% higher than in 2007

Source: Annual YBS Reports submitted by FCA.
Volumes cover all association lending.

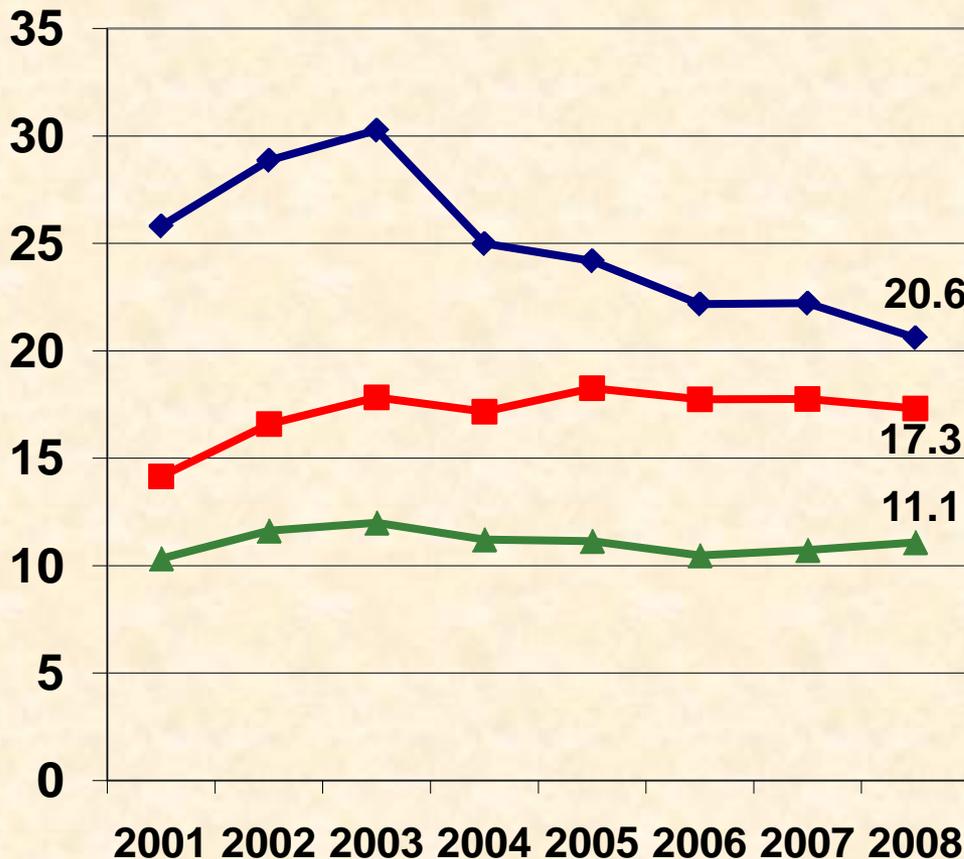




Volume of YBS Loans Made as Percent of Volume of Total Loans Made in 2008



Percentage of Total Loan
Volume Made



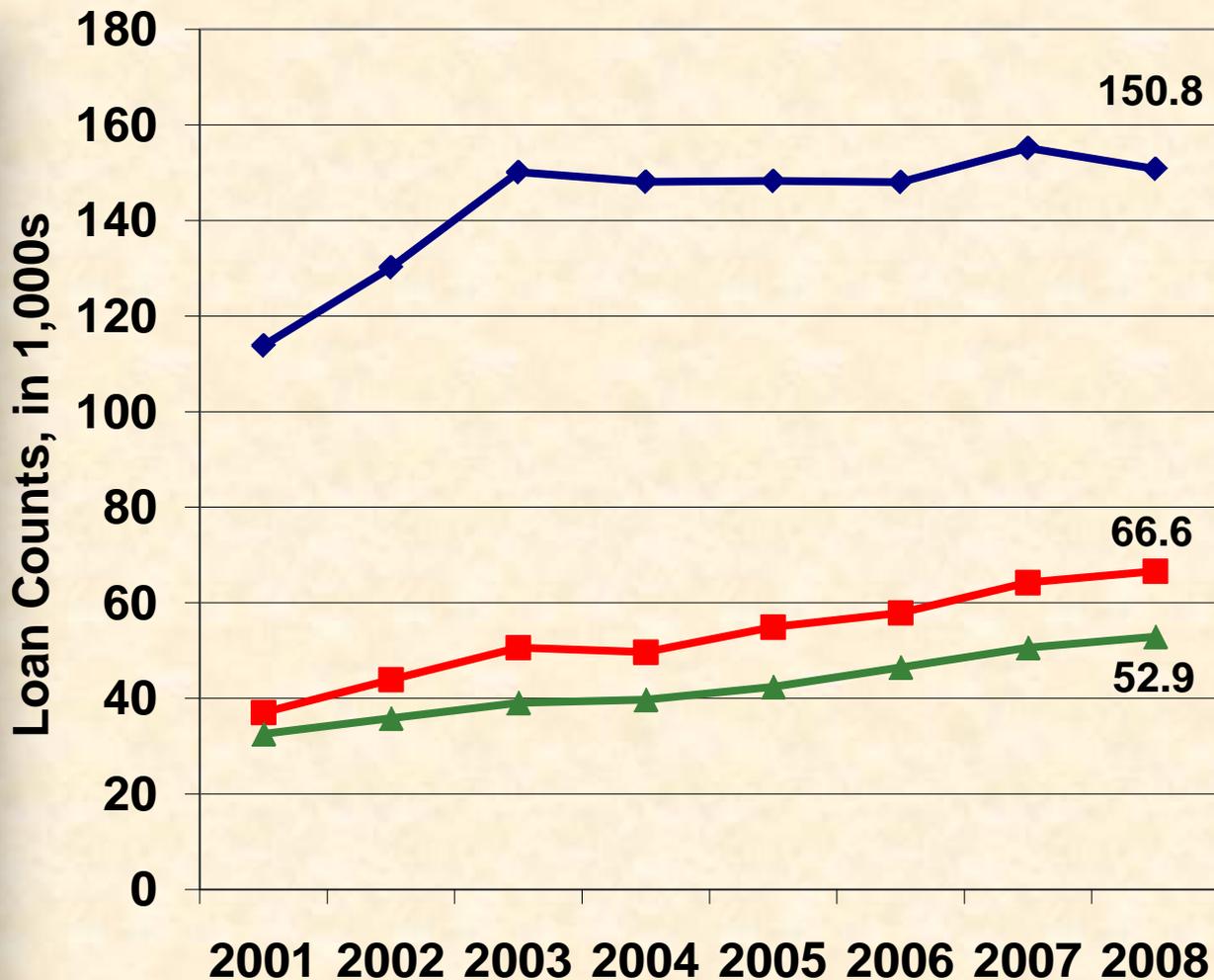
◆ Small
Down 1.6% from
2007

■ Beginning
Down 0.5%

▲ Young
Up 0.4%

Number of YBS Loans Made in 2008

Growth in the B & Y Program Areas



◆ Small
4,370 fewer loans made, down 2.8% from 2007

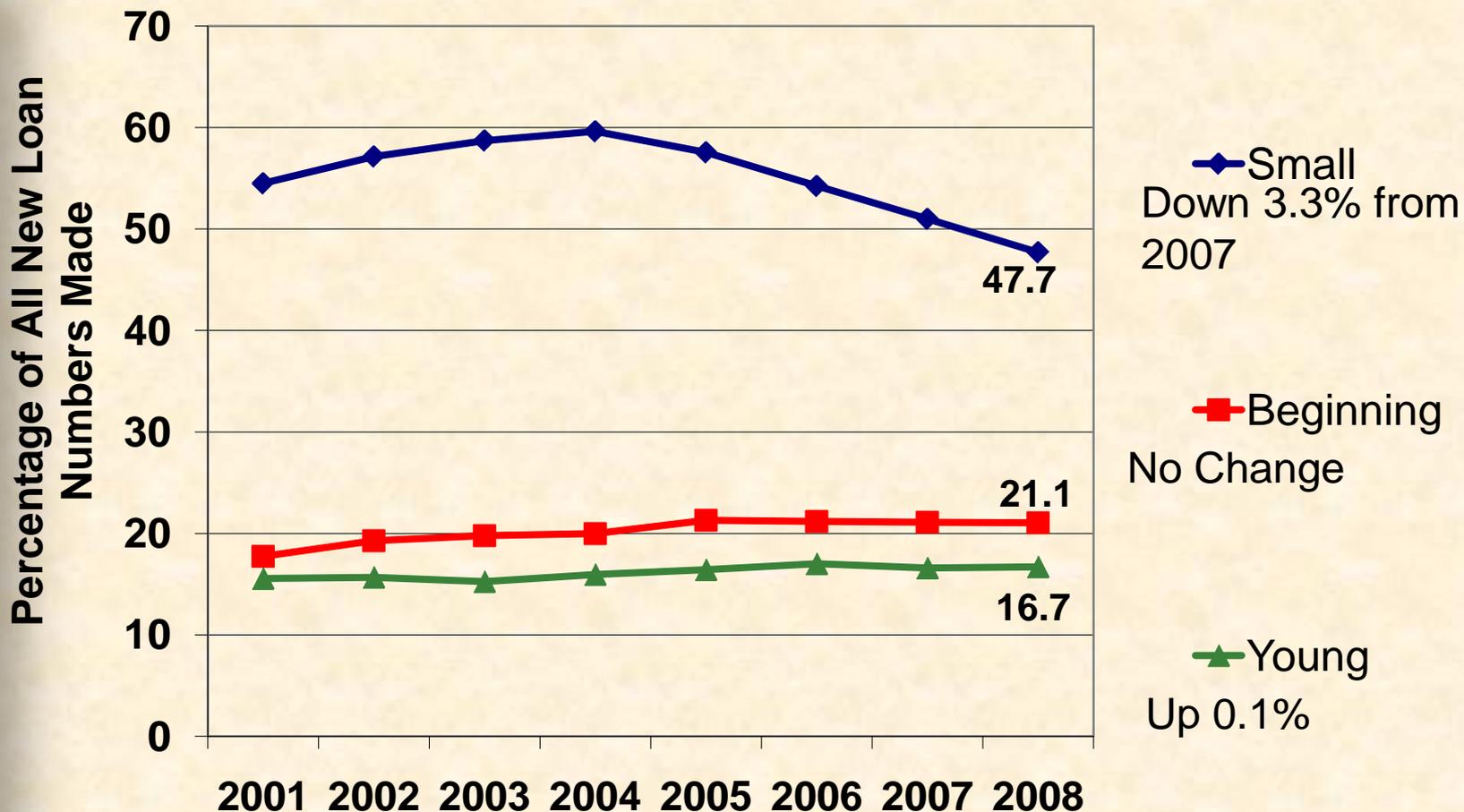
■ Beginning
2,380 more loans made, up 3.7%

▲ Young
2,310 more loans made, up 4.6%

All Loans Made #, up 3.9%

Number of YBS Loans Made as Percent of Total Loans Made in 2008

Downward Trend for Small, Steady for B & Y





YBS Loans Outstanding* in 2008

Dollar volume	Percentage of all loans outstanding	Change from 2007
Young	11.4	-0.18
Beginning	19.3	-0.39
Small	24.9	-1.65
Number		
Young	18.2	0.08
Beginning	25.8	0.67
Small	56.5	-1.79

* 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.



Institutions Continue to Revise YBS Policy and/or Procedure

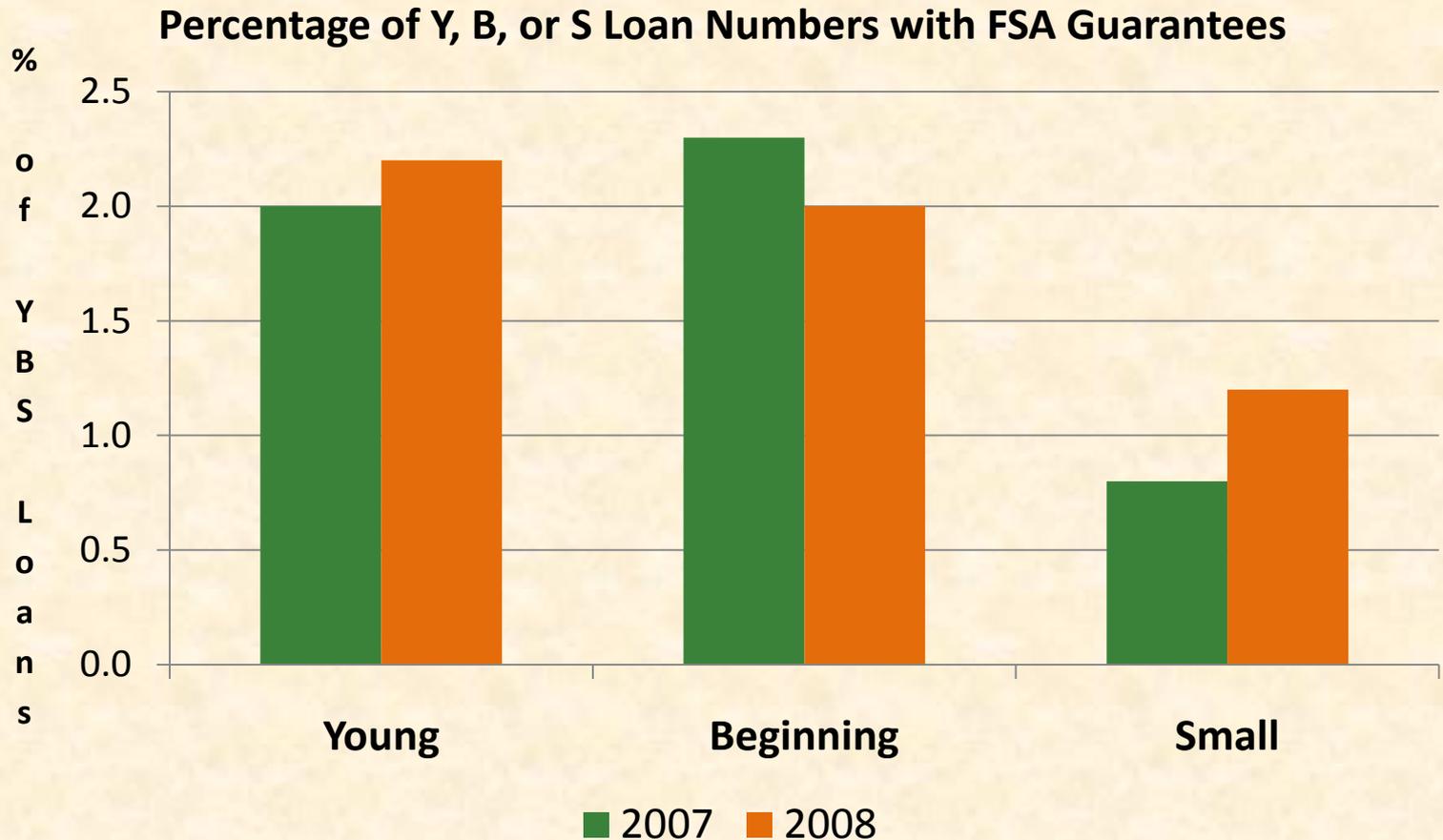


- Half of institutions have now revised their YBS policy to provide for the lending flexibility allowed for by the FCA YBS Bookletter.
- One fourth responded that they will revise their policy and/or procedures in 2009.
- New YBS farmers benefited from these changes in 2008.

Source: 2008 YBS Questionnaire Results Submitted by each System Association.



Use of FSA Guarantees with YBS Loans Remains Low



Source: 2008 YBS Questionnaire Results Submitted by each System Association.



1/3 of Institutions Use YBS Advisory Groups

	# of Institutions
* Borrower Advisory Comm.	18
* Board Member Comm.	10
* Other YBS group	13
No Committee	59

* Not additive

Institutions with Advisory Groups - 2/3 of all Large , 1/3 of all Medium , and 1/4 of all Small Institutions

Source: 2008 YBS Questionnaire Results Submitted by each System Association.



More Institutions Are Using Specific YBS Credit Enhancements



- **Specific YBS Underwriting Standards**
- **Concessionary Loan Fees**
- **Concessionary Interest Rates**
- **Differential Loan Covenants**

Source: 2008 YBS Questionnaire Results Submitted by each System Association.



Conclusions



- 2008 YBS performance trend continues positive with strong growth in volume of YBS loans and in number of Y and B loans made.
- The potential YBS market is declining as farm population ages and higher commodity prices move farms out of small category.
- Institutions continue to make good progress implementing the YBS Bookletter.
- More institutions are offering specific YBS credit enhancements; more flexible underwriting standards and lower costs.

