



2016 Results:

FCA's Annual Report on The Farm Credit System's Young, Beginning and Small Farmer Mission Performance

FCA Board Meeting

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Outline

- Review the System's YBS Mission
- YBS Numbers and Trends
- Attributes of YBS Programs



YBS Mission

Farm Credit Act - 1980 Amendments

- FCS institutions must have programs to serve YBS Customers.
- Requires the reporting of YBS activities.

Regulation - 614.4165 (2004)

- Sets minimum YBS program components, reporting and disclosure requirements for associations.

Bookletters

- 040 (2007) Provides flexibility on lending opportunities for YBS farmers and ranchers.
- 066 (2012) Provides guidance for serving farmers who market their agricultural products through local or regional food systems.

Informational Memo - (2014)

- Provides information on opportunities to coordinate lending, training, and outreach with the Farm Service Agency.



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
- Dollar volumes include advances and commitments
- Counts are for loans, not for borrowers



YBS Results



YBS Loans Outstanding As of December 31, 2016	Number of loans	Percentage of total number	Dollar volume of loans in millions*	Percentage of total volume
Young farmers/ranchers	190,995	18.3	\$27,784	11.0
Beginning farmers/ranchers	279,019	26.7	\$42,817	17.0
Small farmers/ranchers	501,874	48.1	\$47,699	18.9

YBS Loans Made During 2016 As of December 31, 2016	Number of loans	Percentage of total number	Dollar volume of loans in millions*	Percentage of total volume
Young farmers/ranchers	62,000	17.0	\$9,247	11.7
Beginning farmers/ranchers	79,166	21.7	\$12,707	16.0
Small farmers/ranchers	149,691	41.1	\$12,207	15.4

Green numbers indicate measures that increased in 2016 relative to those in 2015.

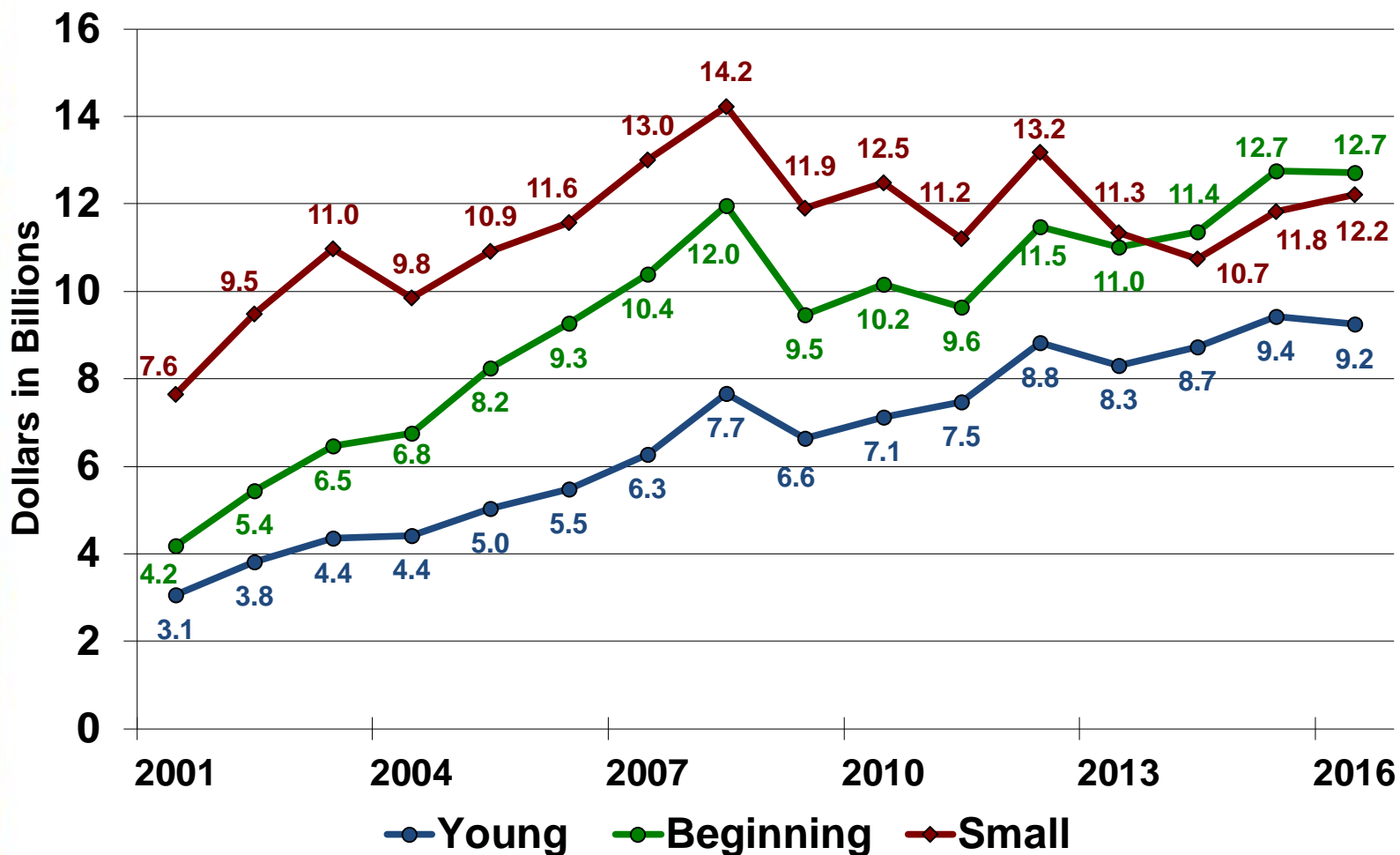
* Totals include loans, advancements, and commitments made to farmers, ranchers, and aquatic producers by the associations, and excludes rural home and Title III loans, and the Leasing Corporation activity.

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.

Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks



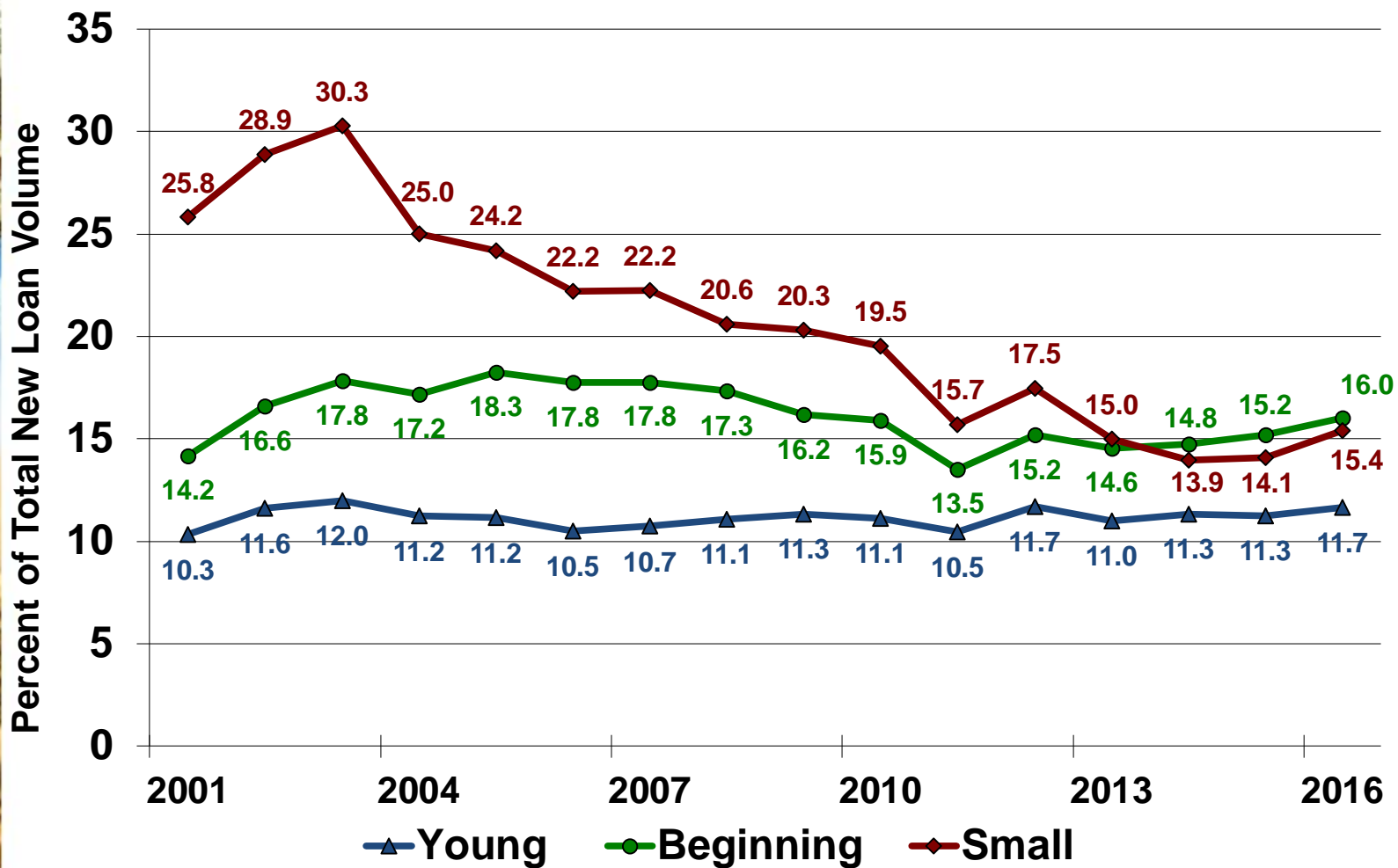
New YBS Loan Volume



Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks



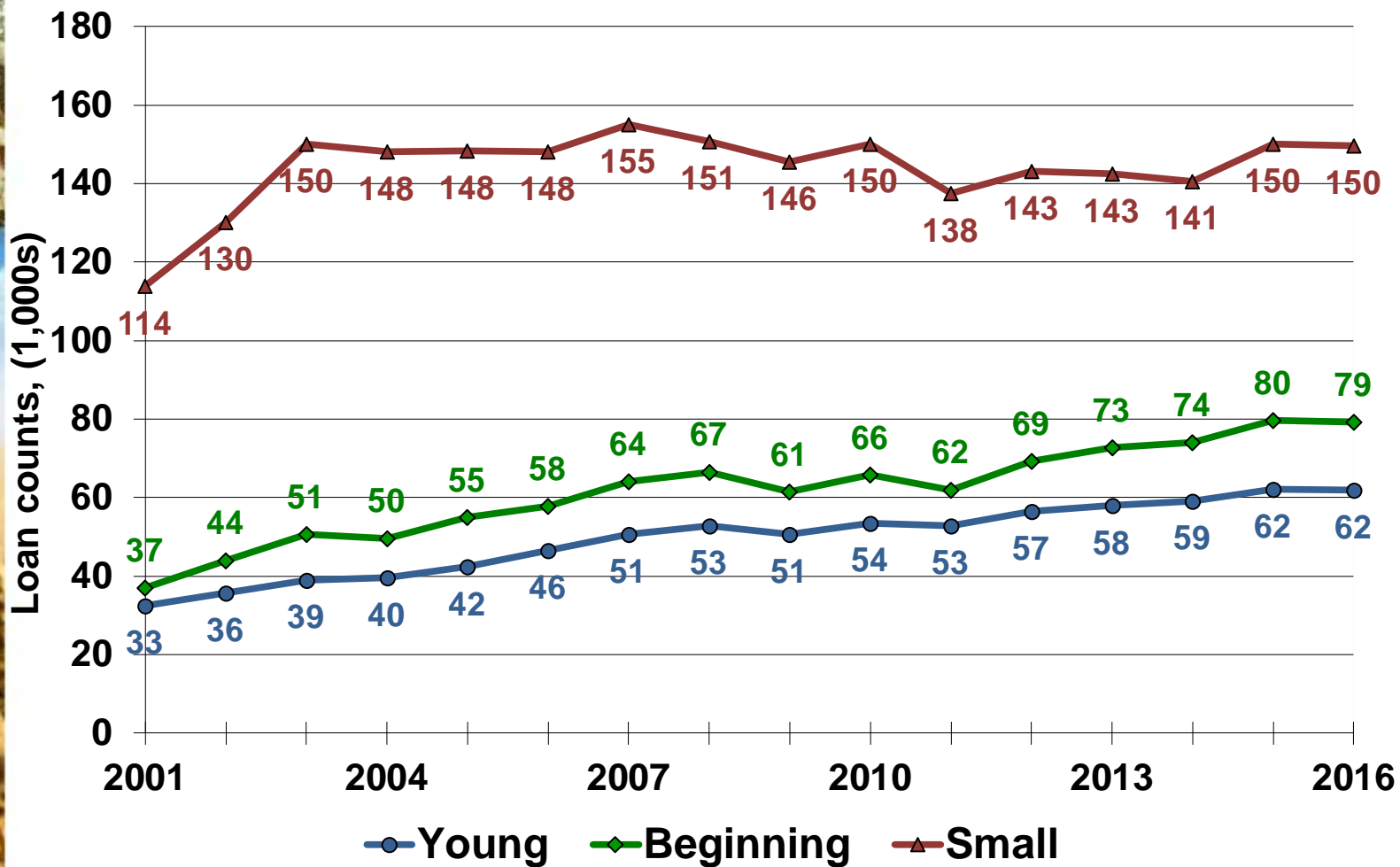
YBS Shares Total New Loan Volume



Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks



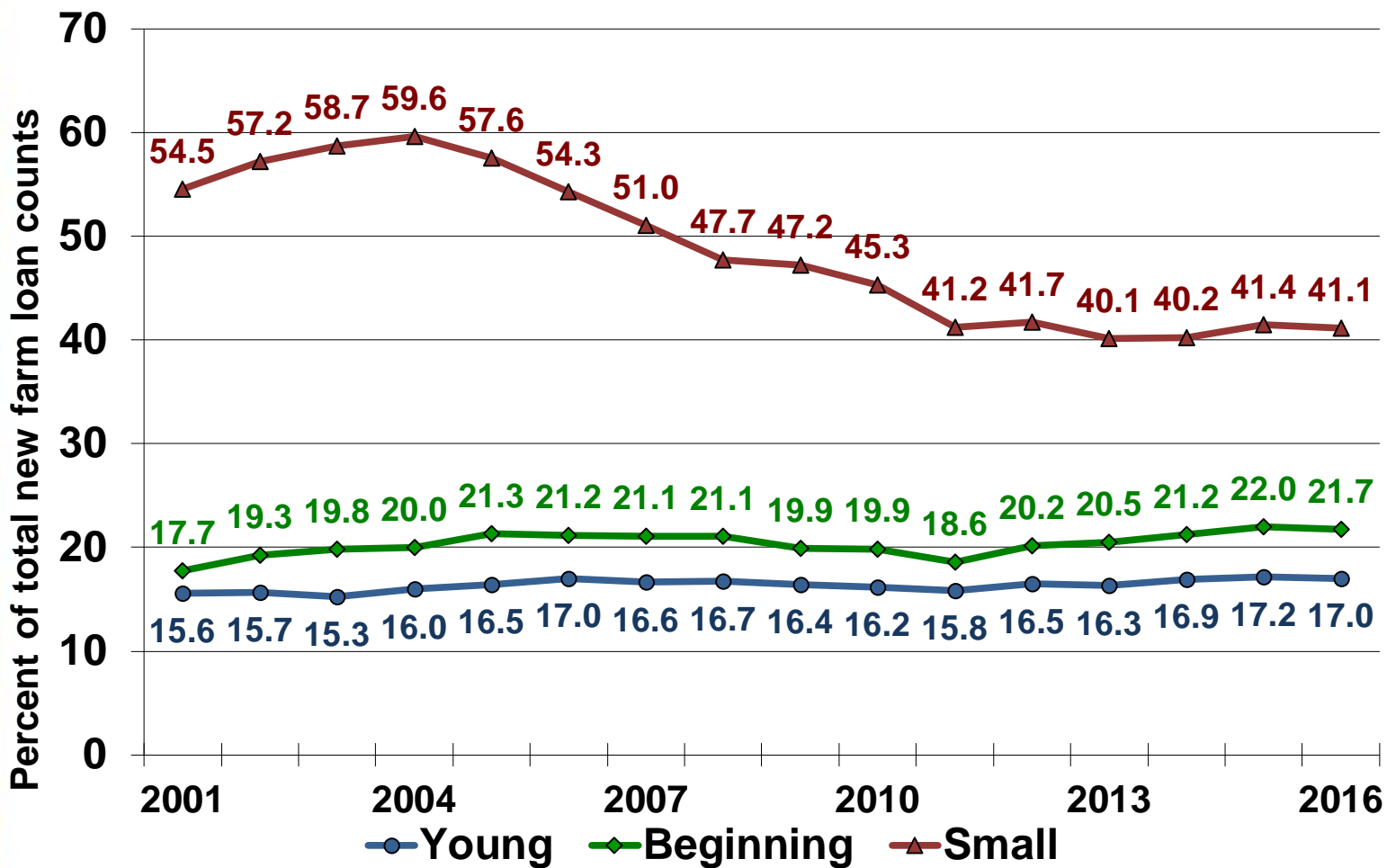
New YBS Loan Counts



Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks



YBS Shares Total New Loan Counts



Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks



Conclusions – The Numbers



- Most Systemwide YBS results either increased or kept pace to the levels achieved in 2015.
- Young and Beginning Farmer loans increased as a percent of overall loans outstanding. Small farmer loans kept pace.
- Young, Beginning, and Small all increased as a percent of loan volume made in 2016.



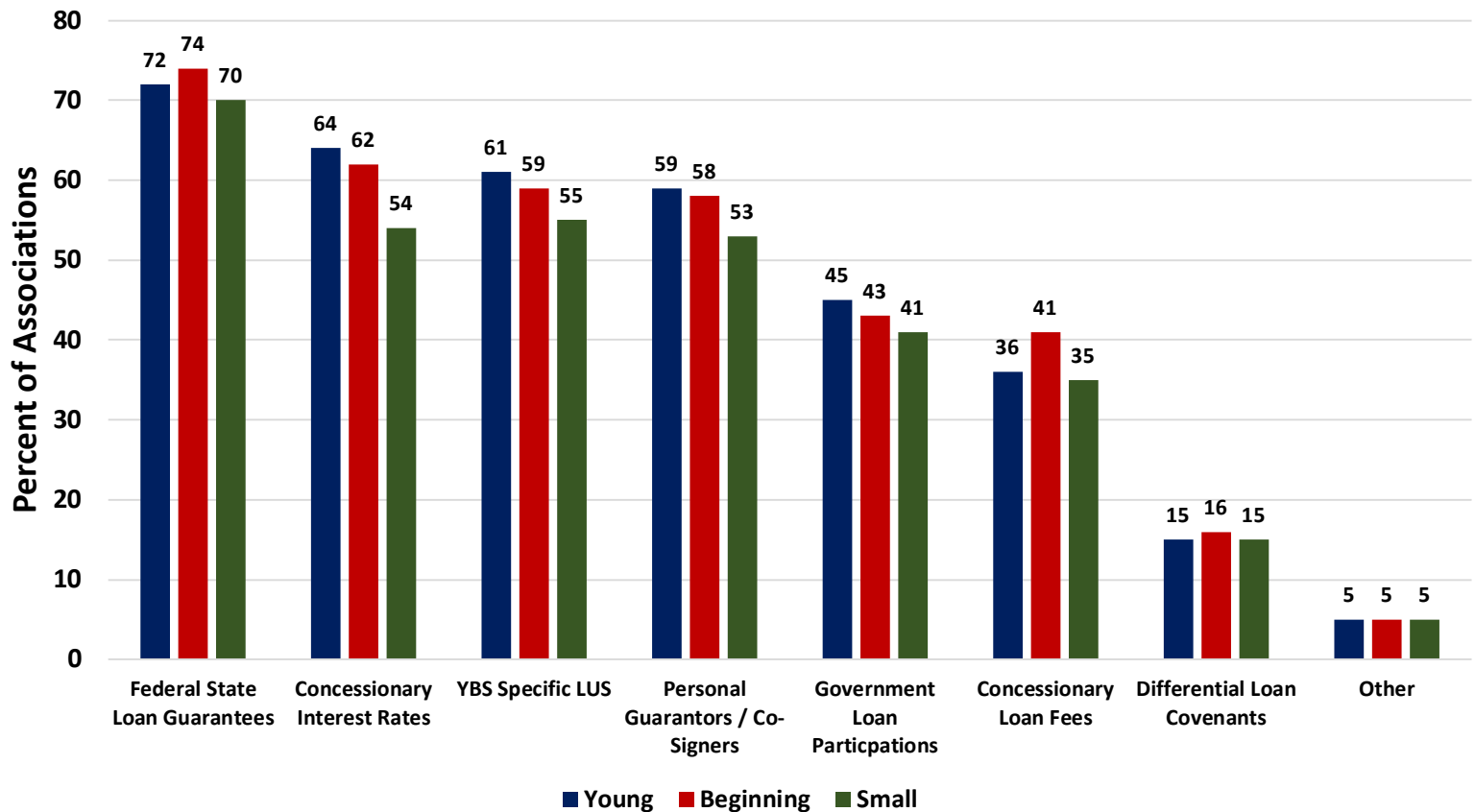
2016 YBS Qualitative Results



Tools Used to Extend Credit



Guarantees, Reduced Rates and Customized Standards Most Used to Extend Credit to YBS



Source: YBS Questionnaire



Tools Used to Extend Credit

Percent of Associations Who Used Tools to Extend Credit

Tool	Young	Beginning	Small
Federal or State Loan Guarantee	72	74	70
Concessionary Interest Rates	64	62	54
YBS Specific Standards	61	59	55
Personal Guarantors / Co-Signers	59	58	53
Government Loan Participations	45	43	41
Concessionary Loan Fees	36	41	35
Differential Loan Covenants	15	16	15
Other	5	5	5

Source: YBS Questionnaire



Continued Coordination to Extend Credit and Services



Organization	2015	2016
Farm Service Agency (FSA)	99%	99%
Other FCS Associations	80%	88%
District Farm Credit Bank	72%	85%
Producer Groups & Organizations	71%	82%
Extension Service	68%	81%
State/Local Government	68%	76%
Non-Profit Organizations	55%	70%
Natural Resources Conservation Service (NRCS)	47%	54%
USDA Outreach Staff	32%	46%
Commercial Lenders	28%	39%
Farmer Mac	25%	31%
Small Business Administration (SBA)	24%	31%
Agricultural Marketing Service (AMS)	17%	8%
Other	5%	7%



YBS Program Management



Best practices continue to be implemented resulting in more service of YBS needs.

- ***Advisory committees*** continue to provide valuable input to the Board and management.
- ***Performance standards*** for management and staff helped implement business plan objectives.
- ***Staff training*** increased in 2016.



Associations Actively Study Their YBS Marketplace

- Associations identified new markets and developed actions to market to these YBS farmers and ranchers.
- Research was conducted by a combination of internal and external sources.
- Example of results from marketplace study:
 - *Used current study to identify the unique characteristics of our market segmentation and identified underserved areas within our territory to market to. Efforts to reach those under-served areas, including YBS potential borrowers, include a new branch location, sponsorships and increased marketing efforts.*



Training, Outreach, and Education

- The System continues to customize training to address the needs of YBS farmers, including new entrants to agriculture.
- Outreach and training efforts include YBS farmers involved in local and regional food systems, as well as veterans, women and members of minority groups.
- Associations use both their internal experts and hire outside professionals to develop and present educational opportunities.
- Educational resources include a variety of learning options such as: online libraries, courses, seminars, and speakers.

Conclusions – Qualitative Data



- Increase in the amount of services and tools used to serve YBS borrowers.
- System coordination with third parties enhances credit delivery to YBS borrowers.
- Advisory committees, marketplace studies, and staff training improve knowledge of the YBS population.
- YBS training, outreach, and educational opportunities increased and are beneficial to current and potential borrowers.



YBS Farm Lending Outperformed Systemwide Farm Lending



	<u>2015</u>	<u>2016</u>	<u>Change</u> <u>(% pts.)</u>
Volume of FCS Loans Made	8.8%	-5.4%	-14.2
Number of FCS Loans Made	3.7%	0.5%	-3.2
Young Percent of FCS Loan Volume	11.3%	11.7%	0.4
Beginning Percent of FCS Loan Volume	15.2%	16.0%	0.8
Small Percent of FCS Loan Volume	14.1%	15.4%	1.3

Farm lending includes loans and commitments for real estate mortgages, production and intermediate loans, processing and marketing operations, and leases, but does not include rural home loans. Farm lending is a subset of total Farm Credit System lending.

Source: Annual Young, Beginning, and Small Farmer Reports submitted by each System lender through the District Banks