



Building Success. Together.

ARKANSAS BANKERS CONFERENCE

Ed Elfmann, Senior Vice President, Agriculture and Rural Banking Policy
American Bankers Association

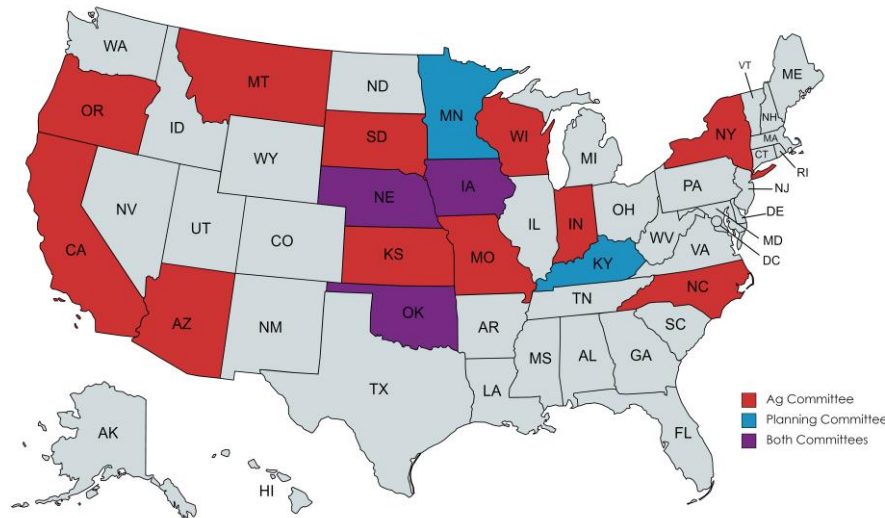
American Bankers Association

- Founded in 1875
- First convention was held in September 1875 in Saratoga Springs, New York.
- The entire convention fit into this building.



109 Years Ago the ABA Agricultural and Rural Bankers Committee was Formed

- The First National Bank in Champaign, IL was founded by Benjamin Franklin Harris in 1865.
- B.F. Harris, the bank founder's grandson, served as the first Chairman of the ABA Agricultural Bankers Committee from 1912-1916.



ABA in Washington, D.C.

- Work with all 541 Congressional Offices
 - 100 Senators
 - 435 Voting Representatives
 - 5 Delegates and 1 Resident Commissioner (Puerto Rico)
- House Focus: Financial Services, Ways and Means, Energy and Commerce, Agriculture, Appropriations, Judiciary, Small Business and Oversight Committees
- Senate Focus: Banking, Finance, Commerce, Agriculture, Appropriations, Judiciary, Small Business and Oversight
- If it involves money we probably have an opinion!

CFPB 1071 Rule

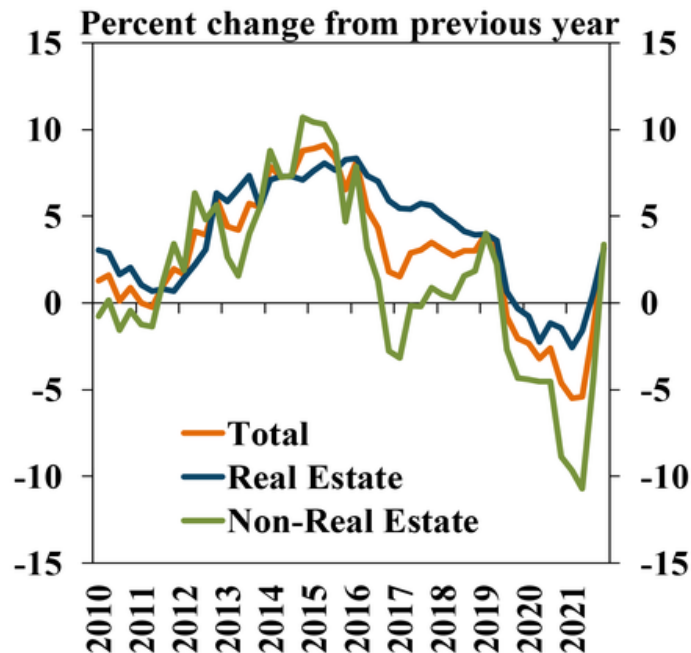
This is the fair lending rule at CFPB

- CFPB is considering adding agricultural loans to the small business reporting definition
- This would be used to collect data on agricultural lending
- The rule would include non-bank and cooperative lenders
- ABA sent a 48-page comment letter on January 6th
- Potential Final Rule March 2023

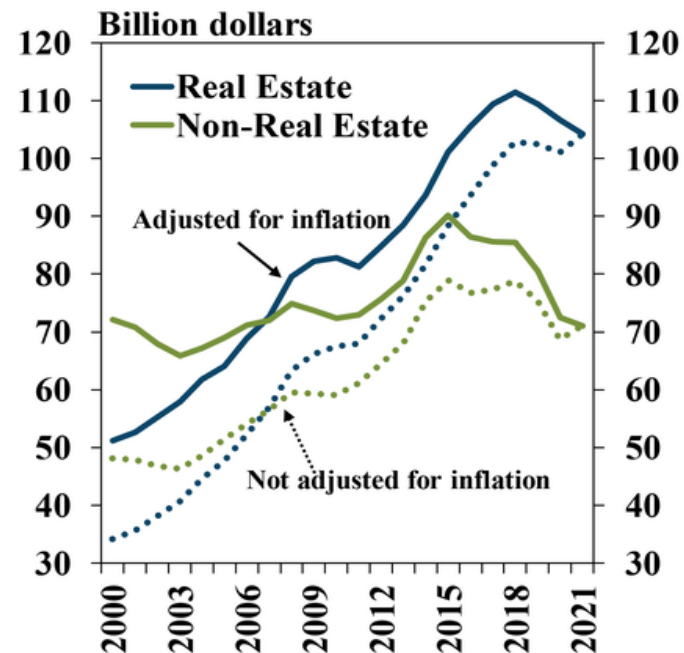
Farm Debt Increasing

Chart 1: Farm Debt Outstanding at Commercial Banks

Change in Outstanding Loan Balances



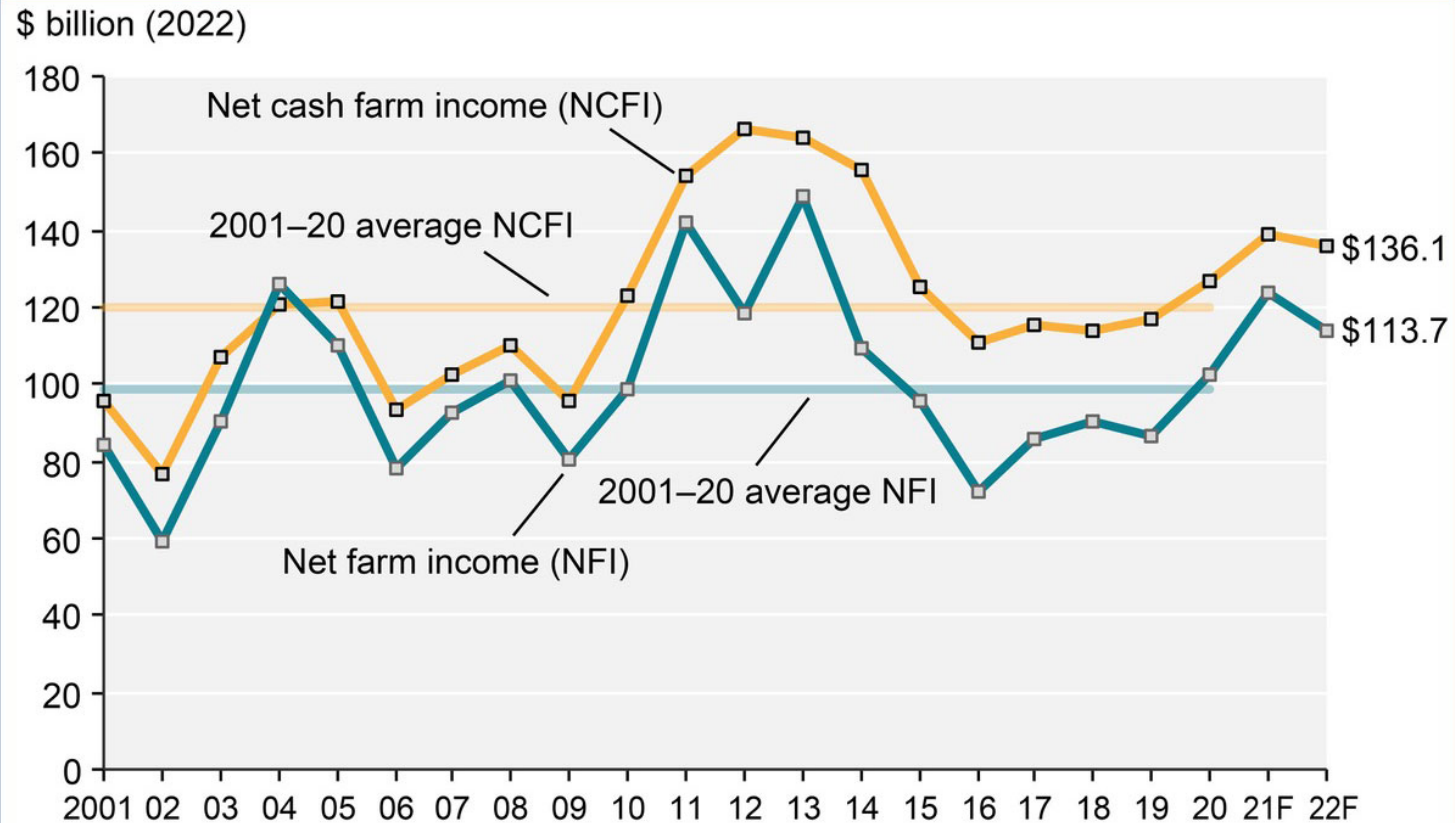
Outstanding Loan Balances, Q4



Sources: Reports of Condition and Income and Federal Reserve Board of Governors.

Net Farm Income Increasing

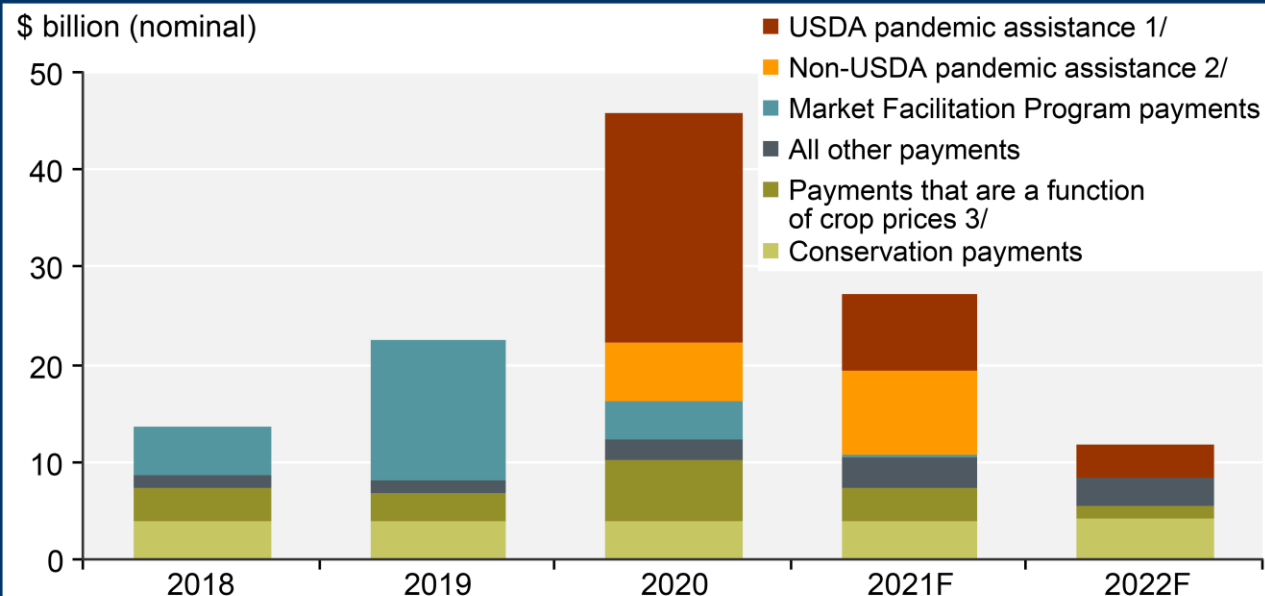
U.S. net farm income and net cash farm income, inflation adjusted, 2001–22F



Source: Economic Research Service

Payments to Farmers to Decline in 2021

Direct government payments to U.S. farm producers, 2018–22F



Notes: F = forecast.

1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.

2/ Includes loans from the Paycheck Protection Program.

3/ Includes Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments (excluding grazeout payments), marketing loan gains, certificate exchange gains, and dairy payments.

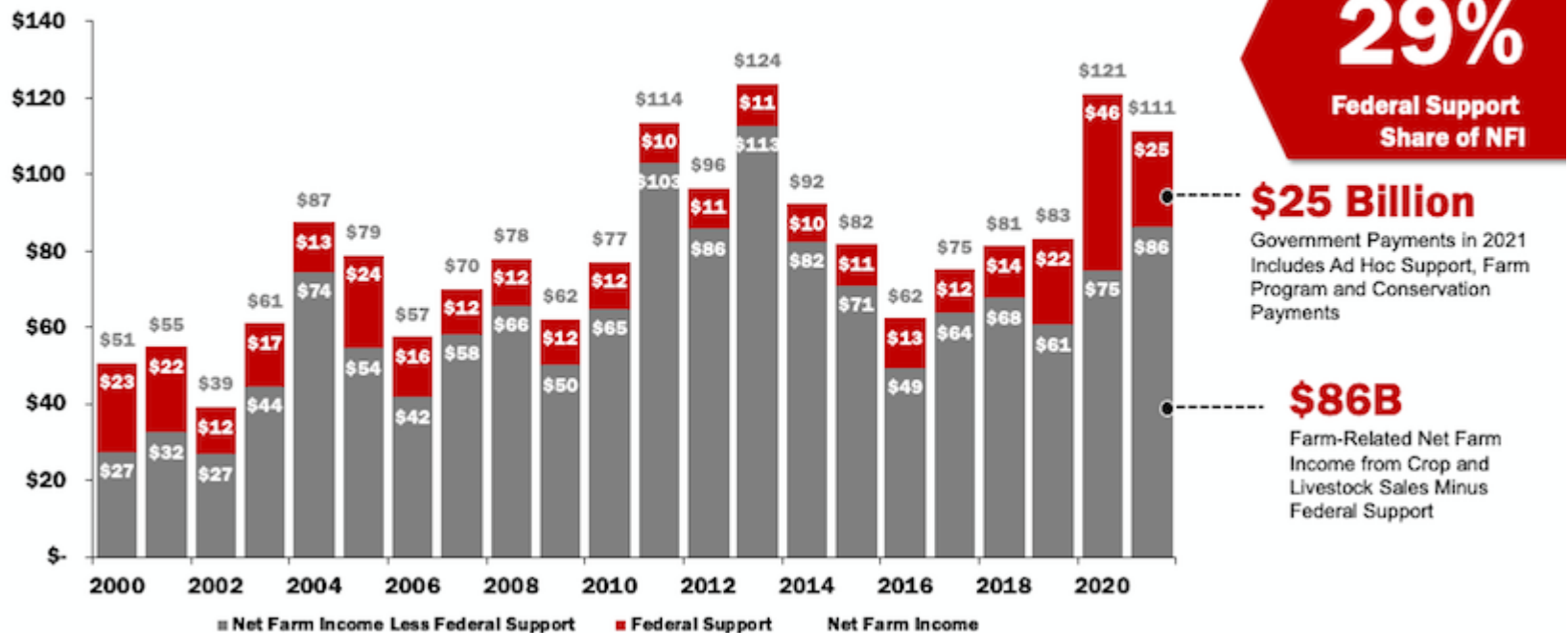
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of February 4, 2022.

Payments Boosting Income

Net Farm Income w/ and w/o Federal Support

U.S. Farm Sector Net Farm Income, Billion Dollars



AMERICAN FARM BUREAU FEDERATION*

www.fb.org

[@New10_AgEcon](https://twitter.com/New10_AgEcon)

Source: USDA ERS, Farm Bureau Calculations

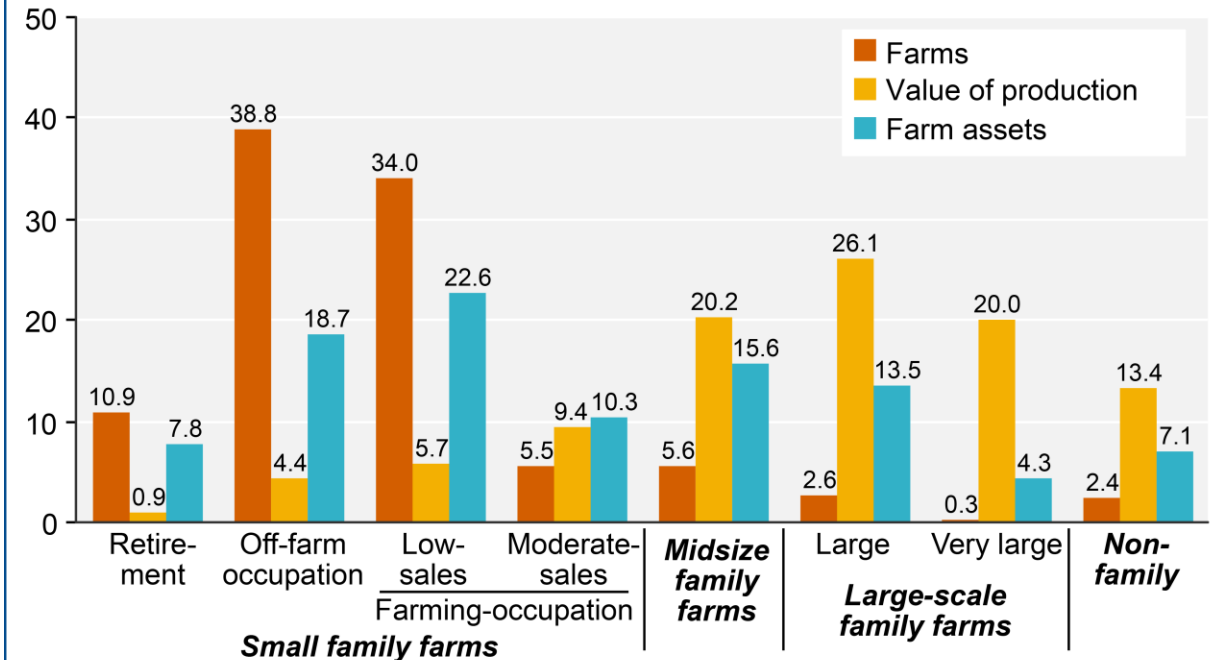


Farm Size and Production Continues to Change

- 9% of farms account for 66% of production and 33% of assets
- 89% of farms are small and hold 60% of assets
- Where do your farm or ranch customers fall on this spectrum?

Distribution of farms, value of production, and farm assets, 2020

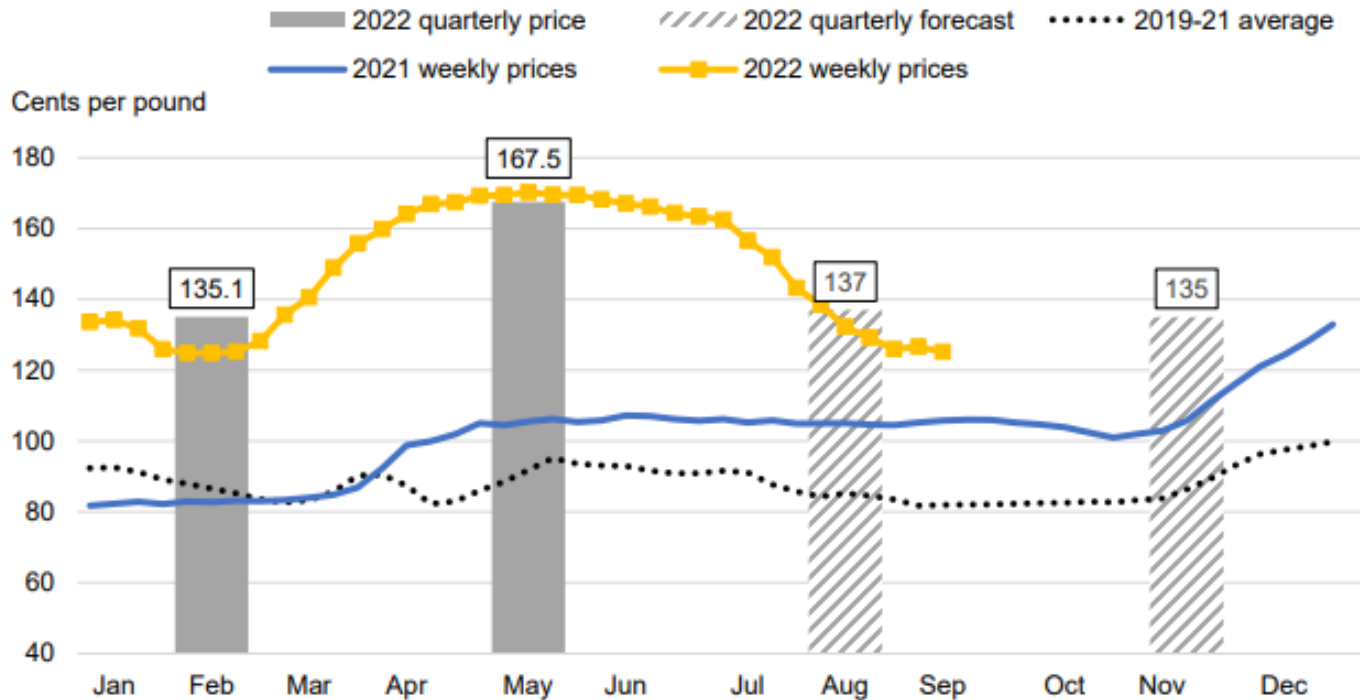
Percent of U.S. farms, value of production, and assets



Note: Details may not add up to 100 percent due to rounding. Small family farms have annual gross cash farm income (GCFI) less than \$350,000, measured before deducting expenses. Midsize family farms have GCFI of \$350,000–\$999,999. Large-scale family farms have GCFI of \$1,000,000 or more. Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2020 Agricultural Resource Management Survey (data as of December 2021).

Broiler Price Forecasts

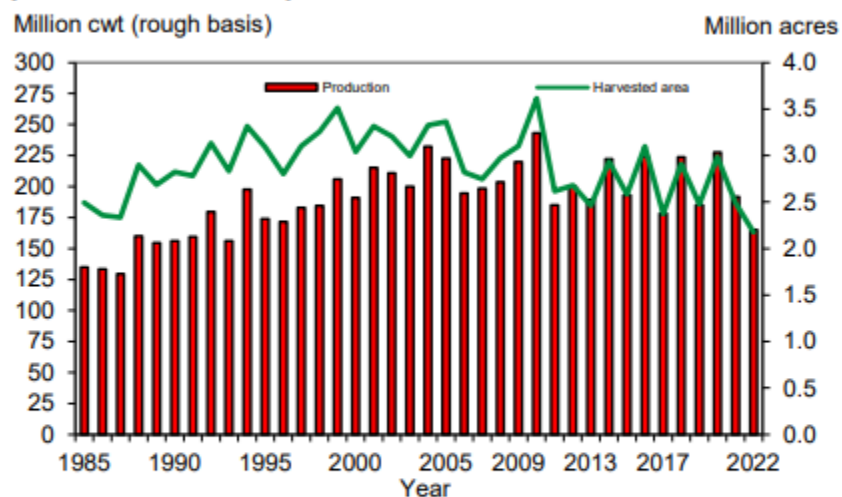
National composite wholesale broiler price



Source: USDA, Agricultural Marketing Service and USDA, *World Agricultural Supply and Demand Estimates*.

Rice Production Down, Imports Up

Reduced harvested area is projected to pull U.S. 2022/23 rice production down 14 percent

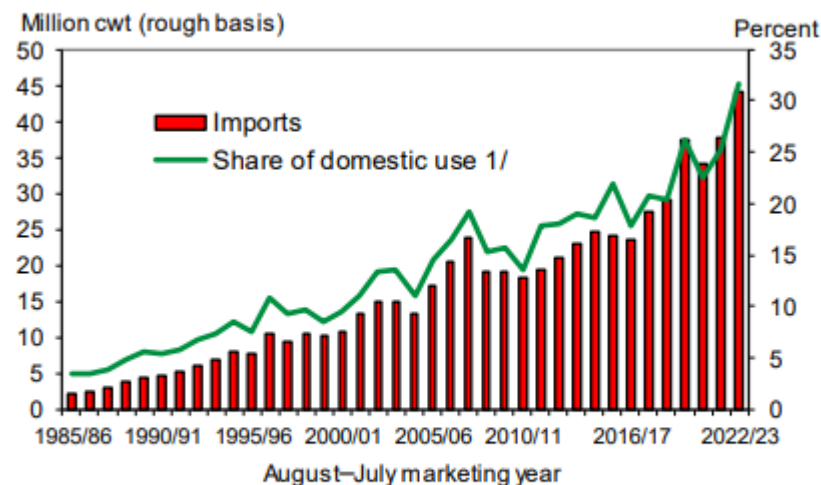


Cwt = Hundredweight. 2022 is forecast.

Source: USDA, Economic Research Service, *Rice Yearbook* dataset;

1985/86–2019/20; USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*, 2020/21–2022/23.

U.S. rice imports in 2022/23 projected record high



Cwt = Hundredweight. 2022/23 are forecasts. 1/ Does not include seed use.

Source: USDA, Economic Research Service, *Rice Yearbook* dataset

1985/86–2019/20; USDA, World Agricultural Outlook Board, *World Agricultural Supply and Demand Estimates*, 2020/21–2022/23.

Inflation Reduction Act

Over \$40 Billion for Agriculture

- \$8.45 billion for EQIP
- \$6.75 billion for Regional Conservation Partnership Program
- \$3.25 billion for CSP
- \$1.4 billion for the Agricultural Conservation Easement Program
- \$9.7 billion in grants and loans for rural electric cooperatives
- \$1.965 billion for REAP
- \$1 billion for forgivable Section 317 loans for renewable electricity in rural areas
- Direct pay credit for rural electric cooperatives to invest in renewable energy
- \$500 million for biofuels infrastructure
- \$5 billion for fighting wildfires and boosting carbon sequestration projects via climate-smart forestry

ABA Agricultural Finance Issues in DC

- USDA Leadership and Policy
- House and Senate Agriculture Committees
- ECORA
- Farm Credit System
- Rural Development
- Hemp/Cannabis Financing
- Carbon Credits/Climate
- Crop Insurance

Agriculture Leadership

USDA Secretary Tom Vilsack (D), Iowa

USDA Deputy Secretary Jewel Bronaugh (D), Virginia

- Positions Filled: General Counsel, FPAC, MRP, NEE, RD, Congressional
- Not Filled: CFO, FNS, Food Safety, REES, Trade, Civil Rights, CCC Board, RUS

Senate Agriculture Committee

- Chair: Debbie Stabenow (D), Michigan
- Ranking Member: John Boozman (R), Arkansas

House Agriculture Committee

- Chair: David Scott (D), Georgia
- Ranking Member: Glenn Thompson (R), Pennsylvania

2022 Agriculture Committee Agenda

- Farm Bill Hearings
 - Farm Bill expires in 2023
 - Hearings will likely cover all topics surrounding the Farm Bill, including credit
- Hearings held in 2022
 - Electric Vehicles in Rural America
 - Rural Economy
 - Sustainability in the Livestock Sector: Environmental Gain and Economic Viability
 - The Role of USDA in Addressing Climate Change
 - The State of Credit for Young, Beginning, and Underserved Producers
 - Farm Bill Stakeholder Hearings

Enhancing Credit Opportunities in Rural America

- Also known as ECORA
- Reintroduced in the House as H.R. 1977 by Rep. Ron Kind (D-WI) and Rep. Randy Feenstra (R-IA)
- Reintroduced in the Senate as S. 2202 by Senator Jerry Moran (R-KS)
- Removes taxation on farm real estate loans
- Any residence in a rural area or city of less than 2,500 is eligible
- There have been multiple grassroots pushes and we need all bankers to participate

Enhancing Credit Opportunities in Rural America

What can you do to help move ECORA?

- Contact your Members of Congress and Senators
- Go to the ABA website for letters and talking points
 - <https://secureamericanopportunity.com/issues/rural-credit-access/>
- Work with your state association
 - Many are looking into state level ECORA legislation
- Have conversations with your local, state and national farm groups
 - This legislation will help farmers, but most farm groups are neutral on ECORA

Farm Credit System

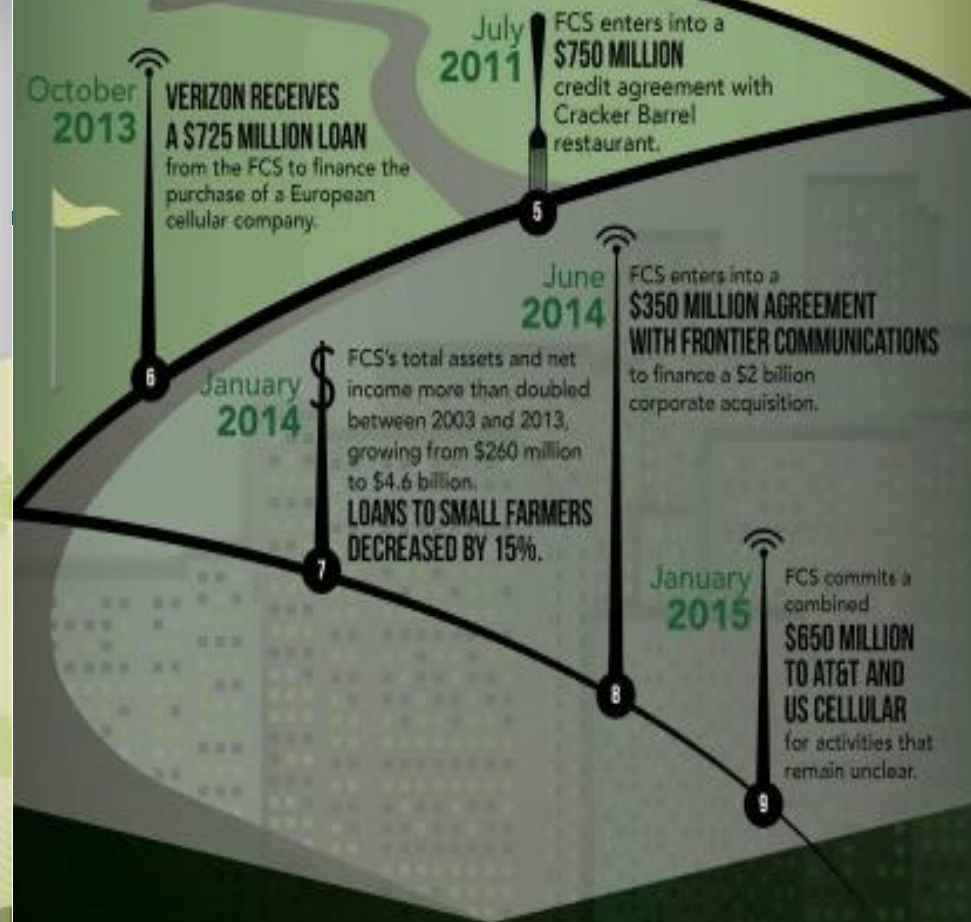
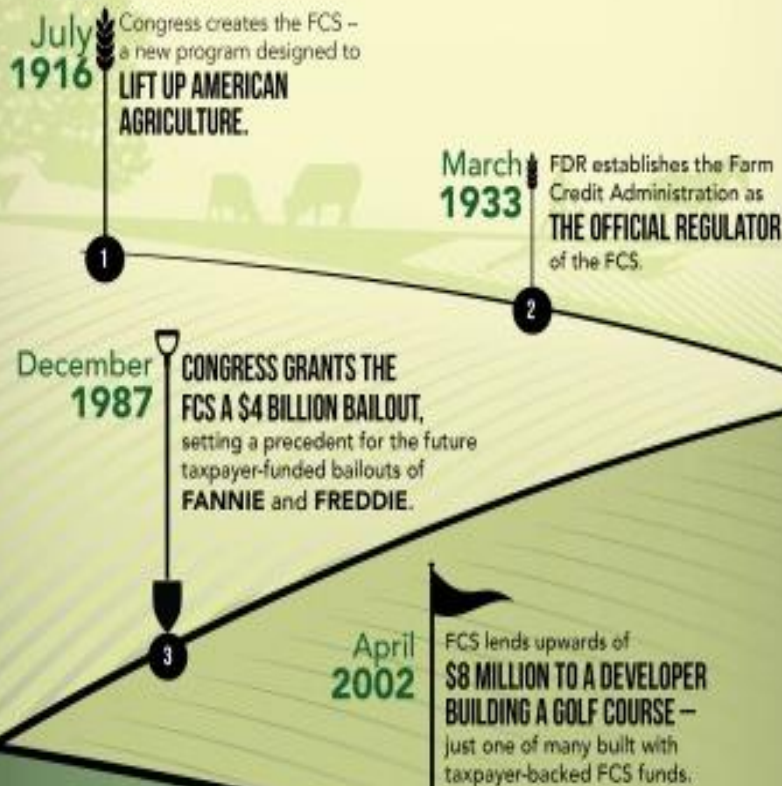
- The Farm Credit System has grown to over \$365 billion in assets
 - Has grown from \$229 billion in 2010, a 63% increase
- FCS is a government sponsored enterprise (GSE) that competes directly with community banks.
- FCS tax rate is under 3%
- ABA is closely monitoring FCS and its regulator the Farm Credit Administration
- ABA is advocating for yearly oversight hearings
- Visit reformfarmcredit.org for blogs and other information

BETTING THE FARM

THE FARM CREDIT SYSTEM'S 100-YEAR DEVIATION FROM ITS MISSION TO SERVE FARMERS.

Originally intended as a GSE that would support small American farmers, the Farm Credit System (FCS) now plays the role of an investment bank, funding yachts, golf courses and telecom acquisitions, among other things. Today's FCS is a bloated economic liability with an insatiable appetite for growth.

TAKE A LOOK BACK ON HOW THE FCS LOST ITS WAY....



THE STAKES ARE GETTING TOO HIGH

Today, the Farm Credit System is worth \$283 billion; if FCS needed another bailout, it would cost taxpayers \$28.3 billion – a 708% increase from 1987.

REFORM**FARM**CREDIT.ORG

Rural Development

OneRD was effective October 1, 2020

- Allows one set of documents for:
 - Water and Waste Disposal Guaranteed Loan Program
 - Community Facilities Guaranteed Loan Program
 - Business and Industry Loan Guarantee Program
 - Rural Energy for America Guaranteed Loan Program
- Common application and consistent forms
- Check out rd.usda.gov/onerdguarantee for more information
- Rural Development continues to grow and add programs

Small Meat Processor Program

- Part of the American Rescue Plan with Rural Development Business and Industry Loan Programs
- Announced in July
 - \$500 million to help construct smaller meat processing plants
 - \$55 million to strengthen existing small and very small meat processors
 - \$100 million to help small and very small processors weather the volatility from COVID
- Additional \$100 million in loan guarantees announced on October 4th
- Administration is looking into anti-trust and market competition issues

Hemp and Cannabis Banking

- SAFE Act
 - Senate opposition from both parties
 - Belief bill does too much or not enough
- 37 Medical Marijuana States
- 18 Retail Marijuana States
- 9 States Legalized Retail or Medical since 2020
- Estimated \$25 Billion in Sales in 2021
- Cannabis Administration and Opportunity Act

Farmer Mac Alliance

- Beginning in 2002, ABA bankers started receiving additional benefits from Farmer Mac as part of a newly launched Alliance between ABA and Farmer Mac
- These benefits include:
 - Preferred pricing on select loan products
 - ABA member only communication link to answer product and credit questions
 - “On Demand” instructions for ag lending staff
- 7,000+ loans totaling \$5 billion purchased since 2002
- Over 450 lenders have utilized the Alliance

Other Agricultural Issues

Carbon Credit Markets

- Carbon credit markets may provide new income opportunities for farmers
- Legislation has been introduced in the House and the Senate to create carbon credit markets
 - Has passed the Senate

Crop Insurance

- ABA is part of a larger crop insurance coalition
- ABA continues to fight for crop insurance as a risk management tool that protects producers

ABA Agricultural Banking Resources

ABA.com/agbanking

- Agricultural Lending Education
 - Online class offered yearly
 - Discussions on offering a graduate level school
- Webinars
- ABA Agricultural Banks Performance Scorecard
- Agricultural Lender Survey
- Bi-monthly ABA Ag Journal



ABA National Agricultural Bankers Conference

November 6-9, 2022 | Omaha, NE

CONFERENCE HIGHLIGHTS

Why You Should Attend



In-Person Networking

Opportunities to connect face to face with ag bankers from across the country - finally!



The National Perspective on Ag

Long-term projections for the broader rural economy and state of play in Washington from national experts



Strategies for Growth

Practical knowledge to navigate the current low-rate, highly competitive environment

Thank you!

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