



Testimony of Marcus A. Boone
Chief Lending Officer, Farm Credit of Florida, ACA
Before the House Committee on Agriculture
Subcommittee on General Farm Commodities and Risk Management
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Good morning Mr. Chairman and Members of the House Agriculture Subcommittee on General Farm Commodities and Risk Management. My name is Marcus Boone, and I am the Chief Lending Officer of Farm Credit of Florida, ACA, which is part of the Farm Credit System. The Farm Credit System's mission is to support rural communities and agriculture with reliable, consistent credit and financial services, today and tomorrow.

In support of that important mission, Farm Credit of Florida provides loans to farmers, rural homeowners, farm-related businesses and other agribusiness firms in 36 counties in Florida. Our service territory runs from the Georgia/Florida state line down to and including the Florida Keys; however, our territory generally excludes the Panhandle region of the state and 13 counties along the I-4 corridor in central Florida. We support more than 2,850 customers with \$1.2 billion of loans outstanding. Northwest Florida Farm Credit primarily covers the Panhandle and Farm Credit of Central Florida supports farmers in the center of the state. In total, Farm Credit provides nearly \$5.5 billion in of loans to more than 6,000 Florida customers.

Like all Farm Credit institutions, Farm Credit of Florida is a cooperative. We are entirely owned by the customers we support and they elect our board of directors which sets the strategic course of our organization. As the owners of our cooperative, our customers share in the success of our organization through patronage dividends, which represent each customer's share of our profits. Over the past five years, Farm Credit of Florida returned \$50.75 million in cash to our customer-owners via our patronage dividend program.

Farm Credit of Florida remains financially strong and is fulfilling our mission in the current difficult agriculture environment. Prices for commodities remain stubbornly low. Uncertainty in our overseas markets is impacting demand for many agricultural products. In addition, multiple years of weather disasters have directly impacted farmers and ranchers in Florida and many other states.

Regardless, we remain committed to working for the best possible outcome for each customer we serve. Every operation is different and we work with individual farmers and ranchers to help them deal with the current environment.

We are very blessed to serve a territory with great diversity in agricultural production. We finance everything from field crops to citrus and other tree fruits. We finance the equine industry and cattle operations. We support timber producers and ornamental growers. And Florida is truly a specialty crop state, growing the majority of the winter vegetables Americans consume. No single agricultural segment represents more than 17 percent of our lending.

Many of the producers we support generally experienced favorable operating results across the past two seasons despite repeated severe weather events. Others are suffering from losses caused by recent natural disasters and low prices.

Forest producers, along with pecan and peanut growers, were particularly hard hit by recent hurricanes. Our citrus industry continues to feel the impact of "citrus greening" and hurricanes, with Florida orange production falling 35 percent this past season compared to the previous season.

Florida dairy producers, like many dairy producers across the U.S., are trying to survive a prolonged period of low prices. Hopefully the Dairy Margin Coverage program, passed in the 2018 Farm Bill, will help. And our nursery producers are still recovering from the earlier general economic difficulties which dramatically reduced commercial and residential construction.

Despite these difficulties, we remain optimistic about Florida agriculture. The U.S. Department of Agriculture (USDA) forecasts a 64 percent increase this season in Florida orange production. The strong general economy is boosting off-farm employment opportunities for many farm families. Interest rates remain at historically low levels and land values remain strong. Florida's climate and growing conditions allow farmers great flexibility to produce a wide range of agricultural products.

We temper this optimism with the realistic understanding that farmers need tools to manage the increasing risks of weather and markets. We are deeply grateful that Congress enacted a Farm Bill last year. The bill continues providing a safety net for our producers – with Title 1 programs and strong crop insurance programs. We also look forward to full implementation of the new Dairy Margin Coverage (DMC) program. Florida dairy producers already have utilized the Dairy Revenue Protection program that the American Farm Bureau Federation helped create. With the DMC program coming online, we hope our state's dairy farmers will find more solid financial footing.

As we look to leverage all possible tools to work with our customers, the USDA's Farm Service Agency (FSA) Guaranteed Farm Loan program offers a great opportunity. Thankfully, the 2018 Farm Bill increased the lending caps to \$1.75 million. And Farm Credit continues to support the Beginning Agriculturist Lifetime Employment (BALE) Act. This legislation would raise those lending caps to \$2.5 million, reflecting the modern realities of farming.

We use FSA guarantees to help support our farmers and continue to strongly support that program. We find, however, that FSA's complex requirements can significantly slow the lending process. Especially when real estate is involved, our state FSA office must go through so many reviews that it frequently jeopardizes the transaction. Reviews include tribal land reviews, historical land reviews, fish and wildlife reviews, requiring a Comprehensive Nutrient Management Plan, etc. This process typically exceeds the time frame a potential seller of the property is willing to allow.

As a lender to farmers and ranchers, we fully understand the value to producers of the federal crop insurance program.

It is a successful public-private partnership that is federally regulated by the Risk Management Agency (RMA) and delivered by the private sector to help farmers maintain the country's safe, affordable food supply. A viable federal crop insurance program also allows lenders to finance many agriculture producers, particularly young and beginning farmers, who typically have less collateral and equity.

At a national level, Farm Credit participates in a crop insurance coalition coordinated by CIRB, the Crop Insurance and Reinsurance Bureau. This organization benefits from the perspectives of its variety of partners, which include the American Association of Crop Insurers and Crop Insurance Professionals Association – both of which have been invited to testify before this committee today – along with dozens of other insurance and commodity organizations.

To help us balance the risk of many of our production loans, we – and most lenders – require our customers to carry crop insurance. For many of our customers, crop insurance is the only real risk mitigation tool available. Florida is susceptible to many forms of adversity, including freezing temperatures for the central and southern regions that adversely affect fruit and vegetable

production, hail that can adversely affect production agriculture throughout the state and hurricanes that bring high winds, heavy rains and flood waters that can also adversely impact crops, livestock and timber.

Our producers rely on crop insurance to help manage those risks. We support those efforts by having Farm Credit of Florida retain seven licensed crop insurance agents on our team. These agents work hard to help educate our customers, as well as farmers who are not borrowers, about the crop insurance programs available. They work closely with producers to tailor the coverage to each specific farming operation.

Even with these natural disasters, convincing producers to purchase crop insurance at higher than catastrophic levels has been a challenge. Florida went through a period of ten years when there was limited adversity due to natural disasters. With the challenges much of agriculture faced from the economic recession's impact on the nursery industry and "citrus greening" on the citrus industry, many agriculture operations sought ways to trim expenses. Unfortunately, those extra premiums to purchase higher levels of crop insurance often have been a casualty.

If insured at proper coverage levels, crop insurance provides a comfort level and mitigates risk in an inherently risky business. Most of the grower's displeasure with crop insurance is due to not realizing returns on the premium investment. Growers insured at higher levels, and therefore guaranteeing higher amounts, were generally satisfied with the program.

Crop insurance has always been about helping the grower recover from a peril by providing a program to recoup a portion, if not all, of their production costs. In Florida, there is a discussion within the citrus industry that the dollar protection is lagging behind actual production costs of \$1,800 to \$2,000 per acre. In some cases, the grower is not able to recover a useful percentage of their costs. The current policy is not workable in Florida with the requirement to go back three years to establish a value for the current crop as the impact of citrus greening and Hurricane Irma will not allow a fair value of the current crop.

The 2018 disaster assistance legislation asked RMA to make improvements to the citrus policies. Depending on the outcome of RMA's research, potential new products could result in better and more frequently adopted options for citrus growers. RMA also is working on a hurricane policy, as required by the 2018 Farm Bill. We look forward to these initiatives bringing some new and more useful products for Florida growers.

Fortunately, RMA has the ability to make improvements to policy offerings that expand the program to farmers without legislation. And the agency is open to feedback and suggestions from its private-sector partners. It's intentionally flexible to react to producers' needs.

Relatedly, Florida Citrus Mutual has proposed an Actual Production History (APH) program to supplement the currently available catastrophic crop insurance program for citrus growers. Ideally, implementation would occur as a dual transitional program, where growers can choose between the current dollar (catastrophic) program and an APH program. RMA has indicated they would consider offering both programs for a period of time if the need is there for growers. We also appreciate RMA's work on a new strawberry policy, as well as policies to replace the current fresh-market tomato, fresh-market sweet corn and pepper policies offered in Florida.

While Whole Farm Revenue Protection provides revenue protection, some producers feel that the program is too complicated, expensive and difficult from an administrative standpoint. It's further challenged by some the seasonal production cycles of Florida's winter specialty crops that cross over

the year end, causing tax and other financial complications. It's not a unique problem for a new program, and we hope it will improve over time. After all, producers want a product that they could decide the amount of insurance they would want and also have the option to add a revenue component. And specialty crop producers generally would like to see the policy provide coverage of the net revenue (after harvest costs) of the commodities. This would make the policy more affordable while covering the true revenue risk that producers have.

For example, during Hurricane Irma, the maximum dollar amount of coverage for a Valencia orange was \$2,425 per acre. With production costs averaging \$2,000 per acre, even at the 85 percent coverage level that provides only a maximum of \$2,061 protection.

The USDA Wildfires and Hurricane Indemnity Program (WHIP) has been received favorably, but challenges remain. Implementation of the program and payments to producers took too long, in addition to cumbersome reporting requirements to demonstrate the impact of the disaster. For example, Hurricane Irma struck in September of 2017. WHIP became effective in July of 2018; however, Florida growers were unable to apply for the program until October of 2018. Payments, themselves, did not become available until December 2018 and January of 2019.

Market Facilitation Payments have also helped producers across the country, although their full impact has yet to be realized. For some, it helped them break even or make a small profit. For many, it helped them return to the field this year. With farmers and ranchers planting across much of the country – and those in Florida tending to their summer crops – we hope new markets will open and certainty returns.

Overall, the landscape in agriculture across the country and within Florida continues to challenge producers. Fortunately the 2018 Farm Bill reaffirmed the farm safety net and we thank the Congress once again for providing the certainty that our nation's farmers and ranchers deserve. We also are grateful that Congress finally passed much needed disaster assistance and look forward to its quick implementation.

As we have done for over 100 years, Farm Credit institutions remain committed to working closely with each individual customer to ensure their best possible outcome.

Thank you again for the opportunity to testify and I look forward to your questions.